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What Skills and Competencies Do Executives of Nonprofits Need to Succeed: An Interpretive Multiple Case Study

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What Skills and Competencies Do Executives of Nonprofits Need to Succeed: An
Interpretive Multiple Case Study

A DISSERTATION
SUBMITTED TO THE FACULTY OF THE SCHOOL OF EDUCATION
OF THE UNIVERSITY OF ST. THOMAS

By
Duane A. Carter

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF
DOCTOR OF EDUCATION

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UNIVERSITY OF ST. THOMAS

We certify that we have read this dissertation and approved it as adequate in scope and quality. We have found that it is complete and satisfactory in all respects, and that any and all revisions required by the final examining committee have been made.

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incredible individuals, and the nonprofit sector is fortunate to have such talented and inspiring leaders.
Abstract

In an era of slow economic growth, tight budgets, uncertainty, and change, it is important to identify the skills and competencies necessary for successful nonprofit executive leadership, which helps to lower operating costs, secure public and private funding, and meet financial and business performance measures. This study highlighted the complexity of skills and competencies that characterize effective nonprofit executive leaders. The interpretive multiple case study methodology allowed me to capture the skills, competencies, experiences, insights, and perspectives of 15 participants, representing five of the top 15 Minneapolis and St. Paul metro-area civic nonprofit organizations. The CEOs had from 6 to 40 years of nonprofit experience, representing organizations with annual revenues between $40 million and more than $110 million. Foremost, the three themes that emerged regarding the necessary skills and competencies for nonprofit executives to succeed were establish metrics based on community needs, demonstrate business acumen, and manage work complexity. The concept of value on investment (VOI) emerged in the study, which is akin to return on investment and social return on investment. Nonprofit organizations show VOI to the community by demonstrating how it really makes a difference in the neighborhood opposed to any other type of organization and service. This is a framework to understand and to analyze both the nonprofit and community impact. VOI reflects both the tangible and intangible benefits and the value of investing in nonprofit organizations. VOI is important for nonprofit executives in the pursuit of stakeholder engagement and commitment of both time and treasure to achieve the organization's mission.
# Table of Contents

Abstract .................................................................................................................................................. i

Table of Contents .................................................................................................................................... ii

List of Tables .......................................................................................................................................... vi

Chapter 1 .................................................................................................................................................. 1
  Background and Interest ......................................................................................................................... 1
  Problem Statement ................................................................................................................................. 5
  Purpose of the Study and Research Question ...................................................................................... 5
  Significance of the Study ....................................................................................................................... 6
  Definition of Key Terms ....................................................................................................................... 7
    Business acumen ................................................................................................................................. 7
    Improve performance .......................................................................................................................... 7
    Nonprofit ........................................................................................................................................... 7
    Return on Investment (ROI) ............................................................................................................. 7
    Success ............................................................................................................................................... 7

Chapter 2 .................................................................................................................................................. 8
  Literature Review .................................................................................................................................. 8
    Key Differences of Nonprofit and For-Profit .................................................................................... 8
    Growth of Nonprofit Sector ............................................................................................................... 9
    Nonprofit Leadership ........................................................................................................................ 10
    Skills and Competencies .................................................................................................................. 12
    Summary .......................................................................................................................................... 13

Chapter 3 .................................................................................................................................................. 14
  Research Methodology and Design ...................................................................................................... 14
    Research Design ............................................................................................................................... 15
    Participant Selection ......................................................................................................................... 16
      Selection criteria ............................................................................................................................... 16
      Selection process ............................................................................................................................. 16
    Methods of Data Collection ............................................................................................................ 17
    Methods of Data Analysis ................................................................................................................ 18
    Researcher Bias and Assumptions .................................................................................................... 18
    Confidentiality ................................................................................................................................... 19
    Validity ............................................................................................................................................... 20

Chapter 4 .................................................................................................................................................. 21
  Findings ............................................................................................................................................... 21
    Participant Profiles ............................................................................................................................ 21
    Case 1 ............................................................................................................................................... 23
      Place .............................................................................................................................................. 23
    Interview space ................................................................................................................................. 24
Appendix A. Invitation to Potential Participants (Via e-Mail).................................160
Appendix B. Primary Participant Interview Guide.........................................................162
Appendix C. Secondary Participant Interview Guide.......................................................163
List of Tables

Table 1. Professional Profiles of Primary Participants and Organizations .................................. 23
Table 2. Nonprofit Skills and Competencies .............................................................................. 114
Table 3. Summary of Case Themes ............................................................................................ 118
Table 4. Overview of Overarching Themes .................................................................................. 120
Chapter 1

Background and Interest

I saw a news story on the ClearCause Foundation (2014), which is a nonprofit organization that was founded in 2011 by the parents of a student who died while traveling for study abroad. According to the parents, crucial minutes before the death of their son, he tried to use his cell phone to call for help. Unfortunately, he did not realize that 911 is a nonworking number for emergency calls outside of the United States of America. This foundation was created to inform and engage others in an effort to establish standards for traveling youth and students, and is now working to create an app that students can install on their cell phones for emergency assistance anywhere in the world.

This news story resonated with me because I had an opportunity to travel to Ukraine for a practicum, which was part of my doctorate in organization development (OD). This trip was one of the most meaningful learning experiences of the OD program; however, in the event of an emergency, my first call would have been 911. Although most people would agree that there is clearly a need for information and protection for youth and students traveling abroad, it was not as clear that creating a nonprofit organization to solely focus and advocate on this issue was the only answer. I began to ponder: Could a separate foundation or nonprofit take on this responsibility? Are there certain skills and competencies necessary to lead a foundation or nonprofit? What are the leadership and management backgrounds and experiences of the parents who started the foundation? How will organizational effectiveness be measured?

I heard about many nonprofit organizations that began as a result of tragedy involving an individual, family member, relative, or friend. I Love U Guys foundation
(2009) was founded in honor of Emily Keys. On September 27, 2006, a gunman entered Platte Canyon High School and held seven girls hostage, he then shot and killed Emily. While she was held hostage, Emily sent her parents text messages, “I love you guys” and “I love u guys, k?” The “I Love U Guys” Foundation was created to restore and protect the joy of youth through educational programs and positive actions in collaboration with families, schools, communities, organizations and government entities. The Koshka Foundation (2008), a nonprofit which is dedicated to improving campus safety, educating students, and building a comprehensive network of survivors. The foundation was started by Virginia Tech shooting survivor Kristina Anderson to ensure that the memory of April 16, 2007 the day of the Virginia Tech shooting, is continued in a meaningful way. The events usually affected the individuals in traumatic ways. The establishment of nonprofit organizations evolved as a way to honor the memory of the individuals and inform other people about the situations. It appeared that the main purpose was to prevent other people from suffering similar fates. Raising funds and establishing a nonprofit organization due to a deeply personal and tragic circumstance may have been noble, but may not have been prudent. If the individuals do not have the skills and competencies to manage these organizations, it becomes more difficult to make tradeoffs and sell priorities in order to realize the vision.

I found similar notions in the literature that many nonprofit organizations are strongly led but undermanaged, which means not having the skills and abilities to plan, organize, budget, and staff the organization. Leadership involves raising funds and developing an overall vision for the organization (Stid & Bradach, 2009). Nanus and Dobbs (1999) described management abilities as the ones that pertain to operating and maintaining the organization efficiently and ensuring it provides useful services to clients,
such as adapting to change, securing new resources, developing new capacities, and positioning the organization for emerging opportunities. Based on this, I was concerned that nonprofit leaders were making these important decisions within the organization, but that they may have limited management capability and experience to do so effectively.

I listened to the chief executive officer (CEO) of one of the top 25 Minneapolis/St. Paul civic nonprofits, ranked by fiscal 2012 revenue, talk about the frustrations of leading the organization during these difficult and uncertain economic times in the country. In particular, the board of directors of this nonprofit organization was requesting more quantifiable outcomes, including return on investment (ROI). With passion and indignation, the nonprofit CEO responded with the argument that people come to the foundation because they do not have any money. Her nonprofit offers assistance because she cares about individuals’ well-being; so she wondered, how can her organization have an ROI? The inability of the CEO to consider whether the scarce resources were achieving the mission and objectives, coupled with the lack of business acumen, concerned me. Most executive leaders who have worked in both for-profit and nonprofit organizations believe that the drive to measure performance runs deeply against the nonprofit grain (Taliento & Silverman, 2005). This failure to measure performance makes it difficult to understand the impact that the organization is having on its allocation of resources, on its clients, and on its community.

The resistance of nonprofit leaders to use measurements and develop meaningful metrics has contributed to primarily focusing on administrative costs in the sector. Basically, this had the effect of pushing to keep administrative costs low, without careful consideration of what was needed to ensure service quality and delivery. This focus on low
administrative costs starves nonprofits of leadership and management talent needed to find and create useful measures of performance (Taliento & Silverman, 2005).

I reflected on an earlier course in the OD doctoral program, Emerging Trends in Leadership. The course provided some interesting perspectives on the practices of Fortune 500 companies for selecting executives. Many of these companies use personality assessments for screening executive-level candidates for employment and advancement. The assessments have evolved from affirming whether the individual has the basic aptitude and skills to perform the essential functions of the position, to identifying personality traits and soft skills, such as interpersonal and communications skills, for organizational fit. Many publicly held companies believe hiring executives who have the requisite traits will yield better performance and greater returns on investment for the organization (Barnett, 2011). These traits are increasingly sought out by high-performing organizations as an essential requirement, rather than a supplement, to experience, education, and certifications.

Although talent assessments for identifying and selecting executive-level candidates for publicly held companies are common and widespread, nonprofit organizations also use these personality assessments for executive leaders. As more boards, nonprofit granting organizations, government agencies, and other interested parties continue to ask for clearly defined outcomes and metrics, these assessments for identifying and selecting executive leaders have gained more prominence in the nonprofit sector. These soft skills and competencies help to manage and lead the nonprofit enterprise just like a for-profit business, with better performance and specific returns on investment objectives.
As my awareness of the phenomenon increased, my interest in learning and understanding the leadership traits, behaviors, and skills for nonprofit executives was piqued. I was specifically interested in whether nonprofit executives had identified the skills and competencies for the sector.

**Problem Statement**

Often, nonprofit organizations are started up by entrepreneurs who have passion about some idea or cause; however, in today's uncertain economic environment, there is undercurrent in the nonprofit sector to attract and select leaders with the skills and competencies to manage the organization like a for-profit business. Actually, nonprofit organizations share many of the same business principles and financial objectives that drive for-profit companies forward (Taliento & Silverman, 2005). This has many nonprofit executives rethinking the practices and methods used to select leaders in the sector. This fundamental change of direction required purposeful and patient identification and selection of candidates who can execute the mission of the organization.

A holistic and in-depth understanding of the skills and competencies is beneficial to helping nonprofit executives to succeed. This process of exploring and defining nonprofit leadership traits and attributes holds the key to aligning programs and services with quantifiable outcomes, including ROI. Nonprofit executive leaders need specific skill sets and competencies to understand and execute business and financial objectives.

**Purpose of the Study and Research Question**

The purpose of this research study was to examine and understand the complexity of skills and competencies that characterize effective nonprofit executive leaders. The focus of this research was nonprofit executive leaders who know how to successfully lead
large nonprofit organization with annual revenues greater than $25 million annually. My intention was to understand the experience of nonprofit executive leaders dealing with different complex issues and financial challenges. The research question was: What skills and competencies do executives of nonprofits need to succeed?

**Significance of the Study**

Most of the focus on leadership has been directed towards for-profit organizations, which created a gap in the body of literature for nonprofit leadership, management, development, and growth. Researchers have assumed that the leaders and followers, in the nonprofit sector, have already bought into the shared vision of the organization. A sense of purpose, alignment, and clarity of the path to the mission are core factors for engaging people and achieving organizational effectiveness, which appeared to be some of the main drivers for individuals who self-selected a particular nonprofit.

Although the nonprofit sector periodically received an honorable mention in the literature and conversations that were not specifically written for the sector, this was an area that needed greater focus, an interpretive research methodology, and further study. This research provided insights into the leadership development needs for the nonprofit sector.

The study also helped to understand the needs and experiences of the nonprofit executive leaders. Identifying skills and competencies of nonprofit executive leaders who helped the organizations be more efficient, which were the quintessential ingredient to lowering operating costs, securing public and private funding, and meeting financial and business objectives.
Definition of Key Terms

For this study, there were four key terms that needed to be defined to remove any confusion. Those terms are listed below.

**Business acumen.** A set of skills and competencies needed to be effective and successful in the modern business world, which in turn means how to effectively lead, manage, and measure.

**Improve performance.** This is defined as the ability to meet business and financial objectives.

**Nonprofit.** This is defined as associations that conduct business for the benefit of the general public without shareholders and without a profit motive. Nonprofit organizations may include charities, political associations, business leagues, fraternities, sororities, colleges and universities, hospitals, museums, government and television stations.

**Return on Investment (ROI).** For nonprofit organizations, this is the financial ROI to achieve social goals. This is also considered the social ROI. It is the ability to effectively and efficiently convert money into the achievement of the organization's social goals (Wiens, 2008). In addition, the interview participants defined ROI specific to their organization’s mission and vision in order to understand the social goals.

**Success.** The elements or criteria nonprofit organizations use to measure their effectiveness in achieving their missions and visions.
Chapter 2

Literature Review

The initial search for relevant literature focused on the concept of nonprofit leadership, particularly skills, and competencies. Database searches included ERIC, Academic Source Premier, and Psych INFO with keywords non-profit management, nonprofit leadership, nonprofit emerging trends, skills, and competencies. I also incorporated information gleaned from nonprofit articles and newsletters as well as Web sites and recently published books.

The explosion of research related to business leaders has not been mirrored in the public sector and nonprofit literature (Thach & Thompson, 2007). For example, Van Wart’s (2003) content analysis of 61 years of articles in the journal, Public Administration Review, revealed only 25 articles specifically focused on leadership. Books on the topic of public-sector leadership have been published sporadically since the late 1930s, but these have been few in number and have tended to be oriented toward the military leader (Van Wart, 2005). The literature on nonprofit leadership has had an even shorter existence (Thach & Thompson, 2007).

Key Differences of Nonprofit and For-Profit

The strategic planning of the for-profit organization is driven by envisaged financial returns, while the nonprofit organization is driven by the performance of the mission (Drucker, 1998). According to Moore (2000), all types of organizations are created to produce some type of value; however, for-profit organizations focus on strategies to measure this in financial terms, whereas nonprofits produce value that lies in the achievement of social purposes. For-profit firms provide strategies and action plans to
achieve financial goals and encourage greater profits. In addition, meeting the needs of customers has taken on a larger importance, because they are the purchaser of the product and/or services provided by the for-profit firm (Thach & Thompson, 2007). Every time a for-profit satisfies a customer, resources are returned. Every time a nonprofit satisfies a customer, resources are drained (Taliento & Silverman, 2005).

The context within for-profit organizations is driven by commitment to shareholder goals, which generally include the goals of owners, debt holders, and stockholders. A broader emphasis now includes other external stakeholders, such as customers, suppliers, and community (Hill, Stephens, & Smith, 2003). Given this context, the primary focus is growth of revenue in for-profit firms (Wilson, 1989). Moore (2000) argued the context within nonprofit organizations is public value, and leaders in this sector should focus on the operational capacity to deliver that value. According to Rothschild (2012), many nonprofits are accustomed to thinking about social good in terms of moral imperative rather than economic benefit, but every improvement in social prosperity does in fact have monetary value.

**Growth of Nonprofit Sector**

There has been phenomenal growth of nonprofit organizations in the United States over the last 3 decades (Salamon, 1994). They account for 7% of the national income and employ about 11% of the total workforce (Hodgkinson & Weitzman, 1999). Nonprofit organizations are expected to continue this pace of growth. Originally born out of philanthropy, nonprofit organizations emerged as an important part of our economy (Kamaria & Lewis, 2009).
Nonprofit organizations provide services in many important areas, which include health care, social services, and civic membership. According to the Minnesota Council of Nonprofits (2014), the state of Minnesota had 3,580 employers in 2012. Minnesota’s nonprofit sector has been growing as the number of nonprofit locations has increased by 7% since the last recession ended in 2009. Employment has increased by 8.7% since 2007, while for-profit and government employment has declined over this time period. Kamaria and Lewis (2009) pointed out that the phenomenal growth of the nonprofit sector has not only provided numerous opportunities, but also new challenges; thus, operationally and strategically dealing with the new challenges requires general management responsive capability. According to Stid and Bradach (2009), it is a challenge to develop effective management capabilities without diminishing the mission-based leadership strengths of the organization.

**Nonprofit Leadership**

The for-profit sector leadership has been examined to a far greater extent than has leadership in the nonprofit sector (Thach & Thompson, 2007). The study of leaders in the private sector began in the 1930s and blossomed in succeeding decades as researchers and scholars delved into comprehensive analyses of the traits, behaviors, skills, and styles associated with effective leadership. The early scholars in public administration, such as Barnard (1938) focused on the functions of the executives along with the traits that were required. Subsequent scholars have advanced the tradition of human relations theory by emphasizing the human dimensions of leadership. For example, Schein (1985) argued that the only thing of real importance done by leaders is to create and manage culture. McGregor (1960) and Argyris (1957) emphasized the interpersonal competencies of
leaders. The emergence of transformational leadership paradigm in the 1980s brought the idea that the functions of leadership are to produce adaptive or meaningful change (Kotter, 1990).

Ahmed (2005) wrote that the senior leadership role is a key position for the executive director to emerge from. For the nonprofit sector, the traditional model emphasized leadership responsibility in the hands of the nonprofit board; however, increasingly, research during the 1970s and 1980s found it to be myth. Most researchers now argue that true leadership in most nonprofit organizations lies with the executive director (Herman & Heimovics, 1994). Considering leadership entails a process of influence, significant opportunity lies with the nonprofit executive to address the sector’s challenges (Ahmed, 2005). As Block (2001) explained, there is much evidence to suggest that many executive directors are hired on the basis of their programmatic skills and not on their qualifications as executive directors. Smith (2002) commented, “Historically, many nonprofit executives rose through the ranks and were often trained as clinicians, but over time they gradually assumed more and more administrative responsibilities” (p. 175).

Nonprofit leaders are the public face of the organization. Nonprofit leaders must be credible with clients, donors, and staff, and traditionally, that credibility had little to do with business skills (Young, 1983, 1987). Suarez (2010) wrote that management credentials are rare in the nonprofit sector. In many cases, leadership has not even required prior management experience at all. Block (2001) pointed out that most administrators are hired based on their training or education in nonprofit management. The changes in the nonprofit sector are still relatively new, and they might be starting to influence leadership throughout the sector (Suarez, 2010).
Paton, Mordaunt, and Comforth (2007) wrote about the growing recognition that leaders have to be capable of making sense of and dealing with complex, fast-changing, and ambiguous situations that involve not just rational management approaches, but also new ways of thinking and engaging with the emotional life of the nonprofit organization. Leaders are people who make things happen and need to be influential contributors on things that matter.

**Skills and Competencies**

In this complex and volatile environment, the skills, competencies, and strategies necessary for managing nonprofits remains unclear (Suarez, 2010). The most common leadership skills for nonprofit organizations are integrity/honesty, developing others, technical competence, communication, diversity consciousness, political savvy, strategic/visionary thinking, customer focus, interpersonal skills, business skills, team leadership, results orientation, change management, problem solving, decision making, influencing skills, and conflict management (Thach & Thompson, 2007).

Taliento and Silverman (2005) wrote that the nonprofit CEO needs to be the external communicator, relationship builder, and chief fundraiser. Although there is an increased realization and awareness that fundraising has become an important job duty of the nonprofit executive, the fiscal challenges overwhelm the importance of the fundraising experience (Ahmed, 2005). The nonprofit CEO is expected to engage more and more in fundraising activities; however, it is difficult to build a highly effective nonprofit organization when the CEO and the team underneath the leader are not skilled and experienced in human resources (HR), finance, or strategic planning (Taliento & Silverman, 2005). While Ahmed (2005) described the key challenges facing nonprofit leadership are
fiscal, technological, HR, accountability and effectiveness. Stid and Bradach (2009) pointed out that nonprofit organizations are chronically short of leadership talent and rarely rewarded for their managerial skill. Focusing more on the HR and strategic planning versus the fundraising and communicating about the mission and vision may be a wasted effort.

Goldman and Kahnweiler (2000) wrote about nonprofit executives who fit a successful collaborator profile; these executives are flexible, patient, understanding of other's viewpoints, sensitive to diversity, and demonstrate a cooperative spirit. They conveyed that nonprofit executives need to be skillful, collaborative leaders who can strategically communicate with multiple organizations, which is necessary for survival. These collaborative leaders can be identified with the requisite attributes.

**Summary**

As it was obvious from my preliminary literature review, there was not clear understanding in the literature on what skills and competencies were needed for leaders of nonprofits to be successful in an era of slow economic growth, tight budgets, uncertainty, and change. After conducting my study, I did another literature review to compare and contrast my findings with current research. Although there was a scarcity of literature on the leadership skills and competencies needed for nonprofit executives to succeed in the sector, I narrowed my search and found articles to compare and contrast the insights and themes that emerged from my research study.
Chapter 3
Research Methodology and Design

This chapter describes the research methodology, the design of the study, the selection of participants, the methods of data collection, including interviews and the methods of data analysis. The epistemology that guided my study was interpretivism. I followed Stake's (2006) multiple case study methodology framework. Multiple case study methodology is designed to examine several cases linked together with an issue or phenomenon at various sites. This methodology allowed me to look carefully at individuals and operations at several nonprofit locations. The methodology was appropriate for my study, as I wanted to understand the complexity of the issue of skills and competencies needed for nonprofit executive leadership. The research question was: What skills and competencies do executives of nonprofits need to succeed? My intention was to understand the experience of nonprofit executives who know how to successfully lead the organization.

Methodologies based on an interpretive epistemology are referred to as interpretive research that purport multiple meanings exist depending on the experiences people have with a phenomenon (Creswell, 2007; Gall, Gall, & Borg, 2007; McMillan, 2004). I chose a case study methodology to develop a holistic and in-depth understanding of the experiences of nonprofit executives who know how to successfully lead in the sector. This methodology provided an insider’s perspective. As the researcher, I collected data through direct contact with the subjects and brought those interactions to the analysis. The flexibility of the interpretive research process allowed me to explore the subject in depth.
and analyze the data looking for themes that would be helpful to others interested in further research in this area. The research description was dense, descriptive, and holistic.

A multiple case study involves data collection from more than one case. Stake (2006) described multiple case study research as “a particular collection of cases [where] the individual cases share a common characteristic or condition [and] the cases are somehow categorically bound together” (pp. 5-6). In this study, the common characteristic or phenomenon studied was the complexity of the issue of skills and competencies needed for nonprofit executive leadership. I chose a multiple case study because I wanted to gain an in-depth understanding of the skills and competencies necessary to succeed in the nonprofit sector, through the perspectives and experiences of the executives who lead these organizations. Specifically, my goal was to understand the experiences of nonprofit executives who have responded to instances of improving performance and achieving greater ROI.

**Research Design**

I conducted face-to-face interviews with executives and board members from five different nonprofit organizations and recorded the responses. Each nonprofit organization represented a case; I interviewed the CEO, an executive, and a board member from the same organization. The data were analyzed through coding interview transcripts as well as through my own reflection during the process of data gathering and analysis. I studied and analyzed each nonprofit organization as a case first, and then cross-case analyzed them looking for themes. Studying five cases revealed different perspectives and common themes on specific skills sets and competencies for nonprofit executive leaders.
Participant Selection

**Selection criteria.** I identified and contacted executive directors and chief executive officers of nonprofit organizations, who were willing to participate in the study to examine the complexity of skills and competencies that characterize effective nonprofit leadership. I focused on the executive role, which included soft skills, competencies, experiences and leadership ability, not on the strengths and/or weaknesses of the person who currently occupied the position. The CEO had to have a minimum of 3 years of leadership experience in the nonprofit sector. Nonprofit executives with fewer than 3 years of leadership experience may not have understood the evolution or the nuances of the role and the sector.

The nonprofit organization had to have a minimum of five employees and have been in existence for more than 5 years. Nonprofit organizations with fewer than five employees were too small to provide meaningful material for the study. According to Creswell (2007), multiple case study research typically has no more than four or five cases. Consequently, I collected data from five CEO leaders from different nonprofit organizations comprising five cases.

**Selection process.** After obtaining Institutional Review Board approval to commence with the research, I proceeded to identify the primary participants for my study. In order to recruit executives of nonprofits for this research, I solicited participants from the top 15 Minneapolis and St. Paul metro-area civic nonprofit organizations (see the invitation letter in Appendix A). The invitation letter provided a description of the study, criteria for study participants, and a request to participate.
Methods of Data Collection

Interpretive research is designed to study a particular issue or phenomenon in depth. As such, the researcher does not have a prescribed method of data collection, but rather the freedom to follow details in order to fully, or deeply, understand the experience of the participant(s) being studied. My research brought to light how executives in different nonprofit organizations use her or his skills and competencies to be effective leaders in the sector. The primary methods of data collection were participant interviews. Along with interviewing the top leader of each nonprofit organization, I interviewed an executive and a board member of the organization, who would also understand the complexity of skills and competencies needed for leading the nonprofit effectively.

I conducted 60-90 minute one-on-one interviews at a mutually agreed upon location in a comfortable and private setting. The goal of each interview was to fully capture the skills and competencies that characterize effective nonprofit executive leaders. I had a set of initial questions to help focus the discussion on the research question and to explore the participant’s experiences, insights, and perspectives. The questions helped to navigate and search for new insights and knowledge in each interview and still allowed for further probing in the effort to gather more data. The following set of initial questions used for the interviews are included in the primary participant interview guide and the secondary participant interview guide (Appendix B and C).

The interviews were recorded and transcribed to facilitate recollection. I took notes during the interviews and kept a journal to record my reflections, reactions, ideas, and biases.
Methods of Data Analysis

Stake (1995) defined the case study as an intensive, holistic description and analysis of a single, bounded unit. The process began with a detailed description and analysis of each individual nonprofit organization case, which is independent of the other nonprofit organization cases. The analysis of data consisted of reading and rereading of interview transcripts, collected documents, and my own journal of observations and thoughts. The materials were collected and organized in a case study spreadsheet to aid analysis and retrieval of data.

I used cross-case analysis to identify themes across the individual cases. I developed a collective description that highlighted the similarities and differences across the cases. The goal was to create a general explanation that fits the individual cases (Creswell, 2007). The process I used to identify themes across all five cases was to read, reread, and highlight topics and comments within each case. This cross-case analysis led to the themes for understanding the skills and competencies necessary for nonprofit executives to succeed.

Researcher Bias and Assumptions

I was aware that my own experiences were both helpful and potentially harmful as I conducted this research. I have been a senior executive leader for more than 10 years in a quasi-government institution. Consequently, my experience was helpful because I was able to relate to the experience of the participants I was studying. Unfortunately, my experience with this phenomenon was potentially harmful because I could allow my own experience to shape the direction of the data collection and analysis; therefore, it was necessary for me to “bracket” (Creswell, 2007) my own experiences in order to avoid affecting my data and my
findings. I, therefore, recorded and reflected on my own executive leadership learning experience before I began to interview participants so I could gain more awareness of my own assumptions, opinions, and feelings. This allowed me to fully put them aside as I collected and analyzed data for this study. I also maintained a journal during this research to help me reflect on each interview. I made the bracketing exercise a continuous process throughout the data collection and analysis phases of this study.

Confidentiality

The first priority of this study was to do no harm. First of all, I believe that the skills and competencies needed for nonprofit leadership is an emotional topic for those who experience it, so it was possible that participants in this study would share sensitive and private thoughts about their organizations. For these reasons, I was particularly sensitive to the confidentiality of participants. To ensure participant confidentiality, the names of candidates, who expressed interest in participating in this study, were kept on a password-protected spreadsheet on my personal computer. I was the only one who had access to the computer and its password; therefore, only I know the identities of participants in the study. Participants were assured that their identities and interview records would be confidential, and recordings would be destroyed upon completion of the project. None of the actual names of the participants were revealed in this study. I used pseudonyms for all participants. Prior to interviewing candidates, I asked them to sign a consent form. Finally, I conducted this study in accordance with Institutional Review Board policies at University of Saint Thomas.
Validity

I used members check to validate the findings from each case. After I wrote the individual case analysis for each case, I sent the CEO participant his or her organization’s respective sections via email. In the email, I requested each individual to review the data for accuracy and provide feedback regarding the validity of the data within a week.

Upon receipt of their feedback, I reviewed and adjusted content within my document as appropriate.
Chapter 4

Findings

The purpose of this research study was to examine and understand the complexity of skills and competencies that characterize effective nonprofit executive leaders. My intention was to understand the experience of nonprofit executive leaders dealing with different complex issues and financial challenges. The research question was: What skills and competencies do executives of nonprofits need to succeed?

In this chapter, I provide a description of each nonprofit organization, each of which is a case. The main participant for each case was the CEO, although his/her executive colleague and board member were also interviewed. The interview of the executive colleague and a board member were used to triangulate, affirm, and complement the CEO’s perspectives and stories. Each case description includes the leadership philosophy and what is necessary for the nonprofit organization to be successful. Each case concludes with a brief summary of my thoughts.

The final section of Chapter 4 is comprised of a cross-case analysis. The purpose of the cross-case analysis is to find the patterns across the cases and show themes that emerged from the analysis.

Participant Profiles

I solicited participants from the top 15 Minneapolis and St. Paul metro-area civic nonprofit organizations, ranked by fiscal 2012 revenue. I received six affirmative responses; however, the CEO of one civic nonprofit organization did not meet the prescribed selection criteria of 3 years of leadership experience in the nonprofit sector. My rationale for that specific criterion was that nonprofit executives with fewer than 3 years of
leadership experience might not understand the evolution or the nuances of the role and the sector. Consequently, I interviewed and gathered information from the remaining five civic nonprofits.

The study included CEOs, whose ages ranged from 45 to 65. Table 1 describes the primary attributes of the CEOs, the nonprofit sector, and number of employees for the organization.
Table 1

Professional Profiles of Primary Participants and Organizations

<table>
<thead>
<tr>
<th>Case</th>
<th>Participant pseudonym</th>
<th>Age range</th>
<th>Education level</th>
<th>Time in current roles</th>
<th>Years of nonprofit experience</th>
<th>Nonprofit sector</th>
<th>Number of employees</th>
<th>Revenue</th>
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</thead>
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<tr>
<td>1</td>
<td>Alex</td>
<td>60-65</td>
<td>Bachelor of Business Management</td>
<td>2 years</td>
<td>20 years</td>
<td>Senior care and health care</td>
<td>960</td>
<td>&gt;$50 million</td>
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<tr>
<td>2</td>
<td>Beth</td>
<td>60-65</td>
<td>BS in Education &amp; MBA</td>
<td>13 years</td>
<td>40 years</td>
<td>People with disabilities</td>
<td>200</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>3</td>
<td>Cindy</td>
<td>50-55</td>
<td>MBA Finance</td>
<td>3 years</td>
<td>10 years</td>
<td>Social services</td>
<td>2,300</td>
<td>&gt;$110 million</td>
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<tr>
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<td>Dale</td>
<td>55-60</td>
<td>Juris doctor</td>
<td>3 ½ years</td>
<td>6 years</td>
<td>Social services</td>
<td>600-675</td>
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<td>5</td>
<td>Erin</td>
<td>45-50</td>
<td>MBA</td>
<td>5 years</td>
<td>11 years</td>
<td>Social services</td>
<td>160</td>
<td>&gt;$90 million</td>
</tr>
</tbody>
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*Note. BS = bachelor of science; MBA = master of business administration.*

**Case 1**

**Place.** The cultural and ethnic-based home for the aged nonprofit dates back nearly 100 years. It opened in St. Paul as a result of the perseverance and dedication of a group of ethnic women. Today, that nonprofit has nine senior care facilities in its community alliance. This nonprofit has had a tradition of honoring seniors and focusing on quality of
life for aging adults. The nonprofit’s mission is to provide a broad continuum of residential, social service, and health care services, primarily for older adults of a particular ethnicity.

The organization’s staff of over 960 full- and part-time employees provides senior care with a variety of amenities and services, from independent retirement living, to assisted living, to memory loss and end of life care. The services are resident driven, flexible, and individualized to promote independence, choice, and dignity. The community-based services range from long-term care in a supportive environment to short-term rehabilitation. The short-term therapy services are for individuals recovering from surgery, injury, or other acute illness requiring additional skilled rehabilitative nursing care before returning home. Similar to the work of many senior care and health care providers, the work of this organization is very labor intensive, with flawless services required.

The nonprofit has two campus locations in the metropolitan area, and I visited the site located on 17 acres in a growing and affluent western suburb of Minneapolis. The facility is situated close to shopping, banking, and recreational activities with a distinctive neighborhood feel. Amongst all of this activity, the facility has the allure of privacy, safety, and serenity, nestled in a mixed-use residential and commercial area. The grounds are beautiful and pristine, which is ideal for a leisurely walk, enhanced with an outdoor patio and gazebo overlooking a lake.

**Interview space.** I met with the CEO in his office. The office was not ostentatious, but functional and practical. The office area had one relatively small, unisex restroom for staff. Conference room facilities also appeared to be limited. These observations left me
with the impression that many internal and external meetings take place in the CEO's office, given the apparent need to maximize the use of space in the organization.

**The Participants**

**Alex, the CEO.** Alex was a male in his early-to-mid 60s who began not-for-profit work in 1973. He had also worked in the for-profit industry during the past 41 years of his career. Alex had 20 years of nonprofit experience, and approximately 26 months with the senior care and health care provider. His education background included a bachelor's of business management, which he believed was helpful for running a business and the career that followed.

Alex went to college in Omaha, Nebraska, and began his executive career with the cultural and ethnic-based home for the aged in Omaha after serving in the military. The organization was primarily community supported. At the time, the board of directors and the community were considering whether the 40 year old organization had sustainability for the future. Both the board and community were looking for someone to replace a long-tenured executive who was there almost the entire 40 years. Although Alex considered himself a neophyte to senior care and health care at the time, and had no experience leading an organization, he was of the same culture and ethnicity as the community and organization.

The opportunity required Alex to learn, develop, and cultivate relationships with his CEO colleagues across the country. The thought-provoking exchange of strategies and ideas with colleagues led to acceleration of his knowledge and experience. To everyone's surprise, Alex proved that there was resilience within the Omaha community to continue and sustain the organization. Contrary to community perceptions, the senior care and
health care provider overcame financial and operational challenges and a brand new center and community for the elderly emerged. The not-for-profit world allowed Alex to learn from CEO colleagues in a very formidable period of his career.

**Andy, the executive team member.** Andy, the Chief Financial Officer (CFO), was a male in his mid-to-late 40s, who had more than 15 years of experience in the nonprofit sector. The only exception was the 5 years Andy spent employed by Deloitte, an auditing firm, which led to Andy's career in the nonprofit sector. Andy's primary responsibility at Deloitte was auditing nonprofit organizations. One day, Andy received a call from a nonprofit asking if he would be interested in becoming their CFO. He was 26 years old at the time with a master of business administration. Andy accepted the opportunity and has been at the executive level in the nonprofit sector since that time.

**Adam, the board member.** Adam, the board member, was an older man in his mid-to-late 60s. He looked confident, professional and well-established. Adam appeared to be retired or maybe nearing the phase of life where one begins to reflect on the journey and to yearn for a sense of purpose. Adam had been affiliated with the nonprofit since 2002, and he served on the executive committee at the time of the interview.

**Analysis**

Based on the interviews with Alex, Andy, and Adam, four themes emerged regarding what skills and competencies executives of nonprofits need to succeed. The four themes are: a) right culture and ethnicity are helpful for leading and garnering support; b) redefining socially accepted financial measures of success by the value on investment; c) managing work complexity requires the understanding of finance, economics, and
tradeoffs; and d) possessing business experience, skills, and competencies are the quintessential ingredients to making a difference.

**Right culture and ethnicity are helpful for leading and garnering support.**

According to Alex, the decision made to hire him as the CEO, by the current employer, was because of his understanding of the environment coupled with his proven experience. The board recognized the value of his finance and operations skill set, which would be necessary to fix the financially struggling organization. Alex said, “The organization needed a leader with a proven track record who understood the importance of operating like a private business rather than a nonprofit.” Additionally, Alex’s culture and ethnicity were the same as the organization and the community it primarily served. This was similar to the reason that Alex was selected for his first CEO position after graduation from college and military service.

Andy, the CFO, revealed during the interview that for a period of time he also served as the CEO of the current nonprofit organization. After 3 years as the CEO, Andy unexpectedly received an email from one of the board members reminding him that he had been the CFO, the chief operating officer (COO), and the CEO for quite some time. According to Andy, the board member said, “You really have worked alone without any assistance, so the board deemed it as a good time to hire a new full-time CEO.” This board decision required Andy to step back and take the CFO role.

Although Andy had enjoyed the CEO role more, he was not of the same culture and ethnicity as the organization and the community it primarily served. To fulfill the ethnic-based mission, it had dawned on Andy that the board could not continue to keep him as the
primary leader. From Andy's perspective, this was very important for both running the organization and raising funds to support it.

Adam, the board member, wanted to volunteer in the community, specifically on a board that aligned with his cultural and ethnic group. Adam said, “After reaching out to the local federation for the cultural and ethnic group, the nonprofit senior care and health care provider was suggested based on his interest, background, and experience.” Adam had 35 years of experience working in the for-profit world, but his work was related to nonprofit organizations. Adam’s background was investment banking, where he ran the bond underwriting desk for a large company in Minneapolis. One of this large company’s specialties is financing nonprofits in health care, which, during Adam’s tenure, financed over 100 hospitals and nursing homes throughout the Midwest. Consequently, the specific health care experience was mutually attractive to Adam and the current nonprofit organization.

**Redefining socially accepted financial measures of success by the value on investment.** Alex defined measuring success in the senior care and health care industry as having good margins and providing high quality service, where people feel good about the experience. Alex said,

Although it is more challenging to measure success in the nonprofit environment than it is in the for-profit world, operating margin and the perception of service that is affirmed by surveys have broad appeal, validity, and acceptance. In a nonprofit, ROI is measured, not in dollars, but in quality. Consequently, decision making for the senior care and health care provider is around a strategic framework comprised of people, margin, and mission.

This strategic framework is used to guide the process and ensure alignment with the mission.
According to Alex, over the years, this senior care and health care provider evolved from a domicile type of organization to a very dynamic operation, with a variety of programs and services for the community. The dynamic and changing environment required a faster response to the needs of the residents. Although the senior care and health care provider has 970 employees, there are 35,000 interested parties and stakeholders in this community who have a vested interest in the programs and services.

Alex said,

In the not-for-profit world, there are people with vested interests in the organization who want to ensure it has ongoing sustainability and resilience, including a vision for the future. These interested parties and stakeholders are looking for a return on the value of the organization to the community. There is an implied and indirect ownership, so the nonprofit must demonstrate to the community how it really makes a difference in the neighborhood as opposed to any other type of organization. Instead of measuring success based on ROI, it is measured by value on investment (VOI) in the nonprofit industry.

The organization has fiscal stewardship. According to Alex, the organization has employees who deliver the best possible service, and the client receives good outcomes to the extent that is medically and psychologically possible. Therefore, the organization changes from just a financial stewardship and a financial donor responsibility, to being able to demonstrate the value that the organization and community will receive in the future. Currently, Alex stated, the community trusts the organization, which is evident in the utilization of its services. Alex said, “Although the community trusts the organization, it does not necessarily show in ROI, with the exception that this is a 100-year-old organization that continues to provide services.”

Alex explained that the VOI has internal measurements. The nonprofit has staff that comes in every day to care for people who are very frail and old. The staff is professional and provides exceptional care. When the client experiences good care and recuperates, the
individual feels positive about the organization. For some people, the experiences are not the best or what the individual would feel is the highest level of service. Therefore, Alex said it is important to have an internal measurement to assure that the care has been delivered as properly as the organization knows how to deliver it; however, he recognizes that being sick is not an enjoyable time for anyone. People come to the senior care and health care provider because of injuries and illness, and the most important goal is recuperation. As a result, Alex said,

The success of people returning home is a good indicator, and a part of the story of the organization. Senior care is an environment where no client wants to be or seek out as a point of destination in life. The person has reached a place in life when he or she needs the support and care that this environment provides.

According to the Alex, the clients, the residents, and the community have a deep respect for some of the “angels” who work in this setting. This is a specific calling for individuals who have a sense and purpose of caring for others. It is not taught, but a part of the intangibility of the human element. Alex referred to his colleagues as working angels, who have a passion to care for people and to do good things for others; therefore, the surrounding community supports the organization financially and that becomes a very real quantifiable piece, which Alex said translates to the value on investment.

According to Alex, VOI also has external measurements. The government sets the measurements of success, which enhance the outcome for the client such as weight loss, reduction of medications, good nutrition, and various other wellness indicators. The government looks on those indicators as positives. Alex said the government rewards the nonprofit with extraordinary recognition, just because of what he considers normal business every day, for a senior care and health care provider that is living and executing its mission.
According to Andy, the CFO, the highest margin service is hospice. The worst margin is the bulk of senior care and health care business, which is the nursing home. The nursing home is funded by state and federal mechanisms that do not pay for the good level of service that the organization wants to provide. The CEO’s job is to help build diversity in revenue and services to further subsidize programs that do not recover cost because of state and federal government reimbursements. Andy said this is the business model in its most simple terms. Hence, as a nonprofit, it is imperative to diversify new revenue opportunities to subsidize other services, which requires an understanding of the interplay of finance, economics, and tradeoffs. Andy said, “At the end of the day, the senior care and health care provider must have a balanced budget.” This is necessary for continuing to provide the services and programs. The ongoing challenge for the nonprofit is to generate and solicit funds, while still demonstrating financial stewardship to budget and to spend it appropriately, which Andy considers the overall VOI.

Managing work complexity requires the understanding of finance, economics, and tradeoffs. Adam, the board member, acknowledged that holding the title of CEO in the senior care and health care industry used to be an uncomplicated job. Hospitals and nursing homes were reimbursed at cost-plus, so all the CEO cared about was dissatisfied patients with the loudest voices. Basically, the CEO needed to simply throw staff and services at anyone who complained, to ensure there were no strong ripples in the calm sea. The senior care and health care provider would make a little bit of money because of the reimbursement system, the board stayed satisfied, the community was happy, and the patients were not complaining. The landscape completely changed as a result of the Balanced Budget Act in 1997, which caused a significant transformation in senior care and
health care. Adam said, “Finance, economics, and tradeoffs began to affect the services provided and the leadership skills necessary to be successful in the industry”.

According to Adam, today the role is very complex and analytical for the CEO, the employees, and the board members because the reimbursement is substandard. The state and federal governments are trying to reduce their senior care and health care expenditures. The unintended consequence is that it is difficult for nonprofits to attract and retain quality people. Adam articulated that the private sector can pay more because of market driven practices versus a highly regulated, reimbursement driven enterprise. Consequently, the CEO has to work very hard to attract and keep good staff because of starting compensation.

Adam said, “The CEO needs to strike a balance between being mission driven and recognizing that senior care health care is a business and must operate like one.” There are some constraints in senior care and health care that do not exist in some other nonprofit agencies, because it is regulated and reimbursements are strictly set by the government. According to Adam, “Everybody wants high quality and consistently good care for their loved ones. The dilemma is that almost all of the reimbursements are from the government. People want a Ritz Carleton experience for Super 8 reimbursements.” Therefore, he said that it is incumbent upon the CEO to make senior care and health care a business and not just a mission.

Adam provided the following example of the tightly government reimbursed business model in the senior care and health care industry.

If a nursing home had 200 beds and each of those 200 beds was inhabited by a long-term person without financial wherewithal, then the person is eligible for Medicaid. Unfortunately, a 200 bed nursing home at full capacity with Medicaid people only will go out of business due to the way the government reimbursements are
structured. Based on the required level of care coupled with the required ratio of staff to nursing home residents/patients, it is financially impossible to recover costs. Therefore, the senior care and health care provider needs to include several short-term rehab patients to make the revenue and cost model work effectively. The short-term rehab services include knee and hip replacements since Medicaid will reimburse at a much higher level—actually, 2 or 3 times higher than the cost. Unfortunately, this highly regulated and convoluted business requires people to act in a dysfunctional manner to adapt, due to complex regulations. As a concerned, mission-focused CEO, having to play that game can be disheartening; however, if the CEO cannot make these types of bottom line financial decisions, the organization will go out of business.

**Possessing business experience, skills, and competencies are the quintessential ingredients to making a difference.** Alex said, “Interviewing a candidate for an executive position is a dialogue. There are psychological questions and case study questions, but the dialogue between me and the candidate is much more revealing than any psychological questions.” He articulated that it is a dialogue that needs to happen with a candidate to understand the fit with the organization and its culture. It is not rigid interview questions; it is a conversation with opportunity to share a variety of accomplishments and experiences more expansively. Alex said, “It is not a canned repertoire, but rather how the candidate lives out his or her beliefs, values, and principles in meaningful ways to inspire others.”

According to Alex, leaders must be calm and stable in the face of adversity. Senior care and health care needs executives who can handle “the boat in rough water.” He articulated the following metaphor.

A sailor never learned how to sail a boat in a calm sea; only in a rough sea does a person learn and earn his or her true mettle. Consequently, it is important to see what a person can do in both the rough and calm seas. I want to know if the individual panics, writes emails, or asks others to help. This begins to tell me about the emergence of inner strength and inner fortitude—not in arrogance, where a person has to let everyone know how powerful and important he or she is, but as confidence—an inner confidence that is learned or somehow acquired as opposed
to taught. The abilities of good leaders are not to react impulsively to every bell that rings and every knee jerk reaction that presents itself.

Alex said,

The leader must listen for the personality and the chemistry to determine how the executive dealt with certain situations that were critical. In the past, was it behind a desk or was it across chairs—next to them, sitting chair to chair?

He looks for human chemistry, which is not necessarily a science, but an art of selecting people. Alex said, “I want to know whether the individual can be flexible, resilient, and fairly participatory in his or her approach.” He referred to it as “the art of dealing with people.” Alex explained that in the senior care and health care profession, in the not-for-profit world, some people create an environment that is no longer warm and supportive and friendly because it is a medical environment. A good candidate understands that this is actually a social environment with medical services. Consequently, selecting people is an art, not a science.

Alex said being flexible is very important, so the idea is to be flexible to the environment and adaptable. In many cases, a leader walks in and shapes or reshapes the environment; however, when the environment shapes the individual, there is strength in leadership, according to Alex. He said that in senior care and health care the environment needs to shape the individual. The leader needs to be a flexible collaborator to solving issues. According to Alex,

Senior care and health care is a profession and a business that does not necessarily produce the same outcomes over time. Senior care and health care have different outcomes because each person has a unique background, a specific need, and a different disease. Over time, diseases change and the senior care and health care provider finds medical cures. Unfortunately, sometimes the disease turns into chronic or lifelong illnesses, such as cancer. Being stricken with cancer used to be a sign of certain death; it is a chronic illness. Likewise, HIV or AIDS used to be a fatal disease, but now it is a chronic illness. The other part of this is simply understanding that a person is dealing with a very emotional issue at a particular
point in time. In these cases, the nonprofit deals with predominantly seniors. There is a certain point in people’s lives where he or she understands that after an entire life of independence, it is now a quasi-independence existence. The leader, the staff, and the board need to be empathic, sympathetic, and supportive, but also be able to lead with a strong hand and be able to say, we are going to get through this to the extent possible so that your living is not just in a warehouse environment, but will remain in a comfortable, productive, and contributing environment. This response comes from a maturity of life experiences.

Alex said that the not-for-profit world is a very beneficent environment, so it is important to see what else is out there and what else is being done. The skills of the trade or the experiences from other businesses could be assimilated where appropriate and practical. Alex explained that being flexible allows him to pick and choose from a different portfolio of experiences for what might work.

According to Alex, the nonprofit CEO needs to communicate value inside and outside the organization. He described a conversation where an employee asked him if he ever goes without wearing a tie.

My answer was, in public, probably not. As the leader of the organization, I am one of the faces that most people recognize in the community. Consequently, if my appearance is inconsistent with the image that people have of me as the CEO, these individuals may be more hesitant to donate resources to the organization. In the not-for-profit world, most organizations rely upon either fundraising or grant writing to some degree. This outreach involves a personal touch. The CEO has to build relationships in the community because those skills, for most nonprofits, are going to involve door-to-door sales. It is one-on-one; it is sharing that moment of truth. So, this revolves around the relationship between the CEO and the donor. The CEO has to solicit the money and then receive the gift, which is where the leader really rises to the important level of the role.

According to Andy, it is important that the person can relate to other people. The perfect person for an executive role has relationship building, critical thinking, and cognitive skills, which are needed to manage the multiple services and constituents. Consequently, the nonprofit uses an outside agency to screen and assess executive level candidates. This practice requires executive candidates to spend an entire day in a very
intense psychological analysis of the individual’s traits, including cognitive skills, and his or her ability to relate to people. There are both psychological and case study questions. The impetus for screening assessments is the culture.

According to Andy, the nonprofit sector is a people business, especially in senior care and health care. A lot of intimate processes and procedures are done with people every day, which require executives to relate to people at a level of realness. The ability to connect with people is crucial in a nonprofit. Senior care and health care is about people and relationship building. Andy said,

The compensation in senior care and health care, and nonprofits in general, is not at the level of large for-profit corporations. As a result, relationship building helps to enlist people in support of the mission of the organization and a desire to see it thrive.

Adam said,

The CEO must be in the community and be visible to generate excitement, loyalty, and dollars. The CEO must be an individual of high character. Charisma is not only important to attract donors to the organization, but to attract a talented workforce. According to Adam, the nonprofit CEO must be popular and remain popular. For-profit CEOs need to be charismatic to get the job. Once that is attained, having to really focus on being popular in the organization is second order because financial performance, shareholder value, and earnings per share take precedence. In the nonprofit world, the leader must remain popular and have exceptional people skills, and those people skills are just as valuable in attracting new staff as in retaining existing staff.

Adam said the CEO must have the ability to assimilate and integrate what is important, versus what is extraneous, and how to address each situation in a way that is reassuring. Leaders who have been raised in one nonprofit sector or one business model may not have had this type of experience or learned critical thinking in terms of how to
perform or solve problems differently. Nonprofit leaders need broad experience and business acumen, which is important for developing critical thinking skills. Critical thinking skills do not come from any one discipline or particular education. This is the ability to understand issues to make clear and rational decisions.

Adam provided the following example as a time where he believed a CEO did not demonstrate critical thinking skills.

The community in St. Paul raised a lot of money to build another nursing home facility. The facility was built with too much common space, including underground heated parking for the nursing home and a huge ballroom. Financially, that did not work. In a highly regulated business, every square foot counts and, accordingly, must generate revenue. This is an example of blatant, expensive mismanagement. Somebody drove the bus and the CEO is supposed to say, hey, wait a minute. The cost versus the ROI does not work here. We need to reconfigure this area. Now, one can say the CEO may have been misled by the architectural design people, but somebody should say, how many other nursing homes have underground heated parking? The answer would be none. This is the CEO's responsibility. The current CEO had to retrofit the building to add additional beds to make the business financially viable, but the responsibility comes on the shoulder of leadership.

According to Adam, some nonprofit boards have many people who really care about the mission but do not have the capacity to really get engaged in the business of helping the organization. He explained that the board members deeply care about the mission, but do not bring the requisite skill set to the table other than wanting the organization to be successful. In those cases, there is very weak board and the mission is driven exclusively by the CEO. It is a staff driven nonprofit organization as opposed to a board driven organization. Consequently, it is imperative to have very good staff; otherwise, there are serious problems.

Adam then described the characteristics of a good nonprofit board that has people with skill sets that the CEO can access. The goal is to have board members of well-run public and private organizations that have skills that augment, offset, or blend with the
CEO, which can be very effective. Adam said the nonprofit board should have somebody who knows housing and somebody who understands finance. These complementary skills are readily available to the CEO, which he or she can rely on for assistance without hiring a consultant or a vendor to obtain the information. Adam said, “A board should be able to select a good leader, provide resources if asked, and raise money if required.”

**Summary of My Thoughts About Case 1**

The CEO of a nonprofit is an all-encompassing, 24-hours-a-day, 7-days-a-week position that never ends. The CEO is recognized in the community, and donors live and work in the neighborhood, shop at the same stores, eat at the same restaurants, and attend the same places of worship. The CEO is always visible and on display; he is included with all of the positives of the institution, but is also associated with all of the warts and imperfections. The CEO is vested with the responsibility to carry the mission forward. The brand does not belong to a committee, it does not belong to a task force, it does not belong to employees; it starts and rests with one person who must carry that mission on behalf of the organization: the CEO is the brand.

Although there is no specific educational requirement or discipline, a degree in business or finance with an advanced degree is helpful. It appears that a for-profit business mindset is very important. Senior care and health care executives need to drive revenue and to provide strong VOI, although the general public is more familiar with ROI. This need to operate like a for-profit business is a result of the governmental reimbursement environment versus a particular talent management vision of the CEO.

There are some interesting policy questions regarding government regulations and reimbursements. It appears that government regulations, contracts, and laws coupled with
complicated paperwork may be driving nonprofits to hire more experienced professionals with trained expertise for executive level positions such as lawyers and accountants. The reimbursement process requires a higher level of understanding of finance, economics, and tradeoffs to maintain solvency. These government and environmental factors are changing the nonprofit sector and resulting in less than optimum practices and outcomes to remain solvent.

In order to thrive in the industry, the executive needs to fit the sustainability and prudence culture and the client driven strategy. This is determined through the interview and selection process of the candidate. Charisma, flexibility, relationship building, and critical thinking skills are necessary attributes to navigate the complex environment. Senior care and health care nonprofits also need to have a strong and talented board with broad skill sets and experiences.

Case 2

Place. This nonprofit began in the Twin Cities 50 years ago as a home visit service to families for infants with developmental disabilities, and holds the honor of being the first such service in Minnesota. The hope at the time was to fulfill a desire for parents to keep and raise special needs children at home, rather than sending them away to institutional living. The need could be at any level from mental retardation and related disabilities to issues such as cerebral palsy, autism, and epilepsy. The focus of the organization is to bring opportunities to people with disabilities, enabling them to live and work within the community.

Within 10 years after the inception of the nonprofit, a move was made to include older children and adults under the service umbrella. The nonprofit recognized that adults
with disabilities were also in great need of positive role models and assistance with day-to-day living. Assistance began with services to adults in Minneapolis and then expanded to include all people living within Hennepin County.

In 1998, the public schools in Minnesota became fully responsible for direct service to all children with disabilities. The governmental change allowed the nonprofit entity to step out of the arena the organization was most familiar with, and begin to focus on directly serving adults only.

Today, the nonprofit has six locations in Minnesota that serve a diverse population. The nonprofit has 200 employees and is the employer of record for approximately another 3,000 individuals. These 3,000 individuals are personal care attendants or support staff to families with children and families caring for adult loved ones in the client’s home. There are 450 volunteers actively serving the clients, a strong group of fundraisers, a talented and experienced group of board members, and a host of resource partners dedicated to providing for disabled individuals.

**Interview space.** I met with the CEO at the nonprofit’s main office, which is located in a southern suburb of St. Paul. I was greeted by the receptionist with a friendly smile and pleasantries. The environment was warm and caring, and I could feel the energy, excitement, and thoughtfulness as I walked through the office area on my way to the CEO’s office. The office was quite large and functional to allow easy navigation around the furniture. The office furniture was not extravagant, but had an appearance of durability and comfort. There was a large table in her office, for group and family meetings, and this is where the interview took place.
The Participants

Beth, the CEO. Beth was a woman in her mid-60s, who began not-for-profit work in 1972. She had an undergraduate degree in special education and, later in life, completed a master of business administration. Beth was a teacher early in her career, but then realized that the structured environment did not feel conducive for her given she was a child of the 1960s. Consequently, she started a program in a church basement in northern Minnesota that had 10 adults with disabilities and one preschooler with Down syndrome. Shortly after starting the program, Beth met the past president of the organization and recognized that perhaps it was not a good idea to start a career as the executive director, especially in one’s early 20s, with limited training and experience. As a result, Beth asked the president if the nonprofit had any open positions; he replied yes, and she was hired as a preschool teacher.

Beth was born and raised in Harlow, North Dakota, which had a population of 100 people. This small town had a two-room schoolhouse to educate the children, and Harlow happened to have two children with developmental disabilities. When Beth started going to school there, one developmentally disabled boy was in first grade, was around thirteen years old, and quite tall. The second child, Richie, was her age, but had never attended school because he had Down syndrome, which at the time was common practice for children with disabilities. One summer, Ritchie was able to attend summer camp and Beth’s mother thought it would be a great idea for Beth to be a counselor there, so she could meet younger kids. Beth met Richie that summer, and the two of them became playmates and good friends, but to her dismay he remained at home when school started. Ritchie stayed at home with his parents until the end of his parents’ lives, and the two
friends never had an opportunity to attend school together. Richie did not live too much longer after the death of his parents, but due to this disappointment and close friendship with Ritchie, Beth decided to pursue a degree in special education. Beth said, “People must always hold an understanding of individuals with disabilities so that their voices are heard, their interests respected, and their contributions valued.”

**Bob, the executive team member.** Bob, the Vice President of Marketing and Communications, was a male in his early 40s, who had more than 13 years of experience in the nonprofit sector. He had worked for the current nonprofit for 8 years. After completing his undergraduate degree, Bob began his career in the telecommunications industry with a large company, where he had various marketing, management, and community relations responsibilities. The company also paid for Bob to complete a master of business administration.

After 8 years with the telecommunications company, Bob decided to leave the industry and get involved in community service. In 2002, a nonprofit charity hired him as the director of marketing and communications. Bob said, “A visionary executive director recognized that the nonprofits, who marketed what it does and communicated it through storytelling, would have a competitive advantage.” This advantage would help the organization garner and maintain a share of the shrinking philanthropic dollars. As a result, this tremendous opportunity allowed Bob to leverage his marketing and branding experience to advocate for those he loved and believed in. From that point, Bob embraced the nonprofit world wholeheartedly and the relationships made within the sector flourished.
**Bill, the board member.** Bill, the board member, was an older man in his late 60s. He looked confident, professional, and well-established. Bill was a retired attorney with many years of nonprofit board member experience. Bill joined the board of the nonprofit in 1978, and he served on the executive committee at the time of this interview.

Bill had a cousin who had Down syndrome and lived until he was almost 60 years old. Bill said, “This cousin never had the ability to flourish in life. He lived with his mother his entire life, sheltered from the rest of the world. This was unfortunate because he had talent.” If his cousin would have had the opportunities that this nonprofit offers to disabled individuals, he could have been fulfilled and done more to improve his life; therefore, this was really what stirred Bill’s initial interest in the nonprofit.

**Analysis**

Based on the interviews with Beth, Bob and Bill, four themes emerged regarding what skills and competencies executives of nonprofits need to succeed. The four themes are: a) a blend of passion and business experience is needed to manage the organization; b) addressing work complexity requires for-profit skills and competencies; c) redefining socially accepted financial measures for society to understand the nonprofit sector; and d) periodic CEO turnover is an opportunity to move the organization forward.

**A blend of passion and business experience is needed to manage the organization.** Beth revealed that, in the past, the nonprofit employed several people who were passionate about the mission and the direction of the organization; however, the individuals did not have the analytical skills and business experience to move the nonprofit forward. Beth remarked, “The organization needs more than just fire in the belly.” She once made the mistake of not being certain someone had enough analytical skills or enough
interest in analyzing the situation. The executive positions require genuine passion for the work, but one must also have analytical and technical skills. Leaders must supervise people with a lot of passion for the work, which can sometimes overshadow the need for analytics and can feel counterproductive. Beth said, “The CEO has to assist people in remaining steadfast to the passion but also understanding the essential value of managing the business.”

Beth did not realize, early in her career, how much the executive team debated and argued over what the nonprofit was going to do. After the executive team turnover, when she became president, Beth soon realized the culture was not as open to debate as she had desired or hoped. Therefore, Beth said, “I now look for people who have a passion about the mission and who are also willing to challenge ideas and the status quo.” She looks for people, who are willing to sit at the table, debate an issue, but then goes out with one unified face and stand firmly behind the decisions that were made.

According to Bill, there are a variety of institutional types. There are nonprofit organizations, such as universities and hospitals, which operate much like any for-profit business and the leadership skills are the same. There are other nonprofits that are very narrowly focused and driven by the passion of the people, who either established the organization or who are completely tuned in to the mission of that nonprofit; hence, the leadership skills are different than a for-profit business.

Bill said, “Most nonprofits begin with a focused mission and a very narrow concept of what is needed.” The people that run the nonprofit are usually the individuals who have a direct investment in the organization and, for the most part, are volunteers. These individuals are serving as volunteers and are not paid. In part, this becomes an issue
because the person still views the work as a personal investment. According to Bill, the individual will say, “This is my organization, and I will run the business the way I think the nonprofit should be run.” If the organization stays small enough, people are capable of managing the operation.

Over time, the nonprofit may grow and mature beyond the capacity of the individuals’ abilities to effectively lead the organization, similar to the way many successful start-up businesses evolve. Bill said this is the period of time where the organization moves from passion and the volunteer stage to where professional management is needed, which is driven by growth. According to Bill,

The organization needs a leader who actually has the ability to manage other people, to see the broader picture, and to reach out to other stakeholders in the community to keep that entity vibrant. In the case of this particular nonprofit, the organization needed someone who could understand the regulatory process and how to raise money through the State of Minnesota.

People want to know and trust that the organization respects the resources that are given by the taxpayers and by the government. More importantly, the nonprofit is using these resources wisely, effectively, and respectfully to support those less fortunate than themselves. Bill articulated that hopefully, as an organization matures, its board of directors recognizes that proper management is just not there.

When Bill first joined the board, many of the directors brought more skill sets than the executive team, which drove a need for action and some decision about the management and structure of the organization. Bill recalled, it took a long time to make any change, but when it happened, it was evolutionary. This was not any different than most for-profit businesses, which is the life cycle from start-up, to growth, to expansion, and to maturity. When a nonprofit reaches a mature business, the leadership can no longer
be confined to the people who created the organization with a volunteer mentality. Bill said, “The nonprofit needs a shift in management to ensure financial stability given the ongoing mission and drive for permanency.”

**Addressing work complexity requires for-profit skills and competencies.** Although passion is a great attribute, it also can be a point of controversy when there is not enough money to accomplish all that is needed. Beth has employees who say, “I want to give people jobs and I want to get out there. So I just need more money to make that happen!” The truth is that the organization does not have readily available funds, so she will ask them to prepare an analysis of what is actually working to provide jobs for clients and what is simply an exercise that does not result in additional opportunities. According to Beth, an executive has to step back and balance what can be done with the funds the nonprofit already has, with trying to get the most out of those resources, just like any other business. The executive needs to understand the financials well enough to decide what to stop doing, what to start doing, and then how to move funds around and redirect priorities.

Beth shared an example on the financial side of the organization. The nonprofit had an individual who was a good and solid accountant, but could not do financial modeling, forecasting, or projections. She explained,

> We see prime examples of this every day in our business with the clients we serve. Many of us know or work with individuals with disabilities. In some cases, the people can say and explain more than they actually know, and then in other cases, the people cannot tell and explain as much as they actually do know. Consequently, being able to understand information that is presented as numbers and as data, although spatial, is very important.

As a result, Beth had to develop the current CFO according to the specific business needs, after failing a couple of times previously at hiring from the outside.
Beth said, “As it relates to succession planning, if the person has not had an executive director role in a smaller organization, it is going to be hard to compete for a CEO or an executive position in a large nonprofit.” It is very difficult to provide all of the experiences in the different roles, which she feels is necessary to be successful. According to Beth, she was lucky to have started in direct services and then move to supervise in the entire administrative area.

Beth articulated,

The CEO should have charisma, probably more than I do, to go out and meet the employees and to lead a high-functioning team. The CEO needs to get the best out of the executive team without scaring them into performing, but rather with challenging each individual to be better.

Beth provided an example where she had to move to replace the vice president of human resources (HR) because the organization grew so fast and the individual did not have the strategic ability to keep up and see the big picture. Beth said the person was wonderful and tried very hard, and the vice president had gone through some significant issues with her, so she felt a strong loyalty to this person. Also, Beth recognized that HR issues can be difficult for anyone, but there was additional pressure from the board regarding this person. Although the individual had been with Beth through thick and thin and it was tough, leaders have to be able to make decisions for improvement of the nonprofit, and the HR person just did not have the necessary skill set. Beth explained that she must determine what is best for the people the nonprofit serves, and then what is best to ensure the organization is viable to accomplish the objectives. Then the organization, in turn, takes care of employees and meets its financial obligations. Beth said, “If we take care of the nonprofit, the nonprofit will take care of us—it is automatic.”
The organization needed a strategic thinker to create a talent development program and succession plan; hence, Beth had to move the HR person to a different position, and then hire a vice president of HR with professional business and for-profit experience. Beth provided the following example.

The former HR person could mechanically complete the 9 Box grid for talent management and succession planning, but now, when I observed the new vice president of HR who had been doing the 9 Box grid at another company, it was with a far deeper level of understanding and familiarity with the process. The new vice president of HR had experience using the HR tool and understood the strategic business partner role and the intricacies of executing strategies in an organization.

The former vice president of HR grew up in the nonprofit sector and was working at her full learning capacity concerning many HR tools and practices. The organization could only provide rudimentary training regarding how the process was supposed to work. Beth also realized that she could not personally coach the former vice president of HR in this area, since she had not received the training and she did not fully understand the tools and practices.

Beth has begun to hire people with for-profit business experience, which she has learned is imperative to the success of the organization. Individuals with both business and for-profit experience end up appreciating the culture more than a person who has always been in the nonprofit organization pushing for the mission, but does not really understand the demands of real-world situations. Beth said,

A nonprofit has all the complexities of running any other business, although the organization does not have the large bonuses and stock options for employees. However, one receives a satisfying feeling of fulfillment when focused primarily on a mission rather than earnings per share.

Beth recently added a master of business administration requirement to all job descriptions, although everyone does not have that right now. According to Beth,
There are many people working in for-profit organizations that would love to make a career change. These individuals would bring some incredible talent and training experience into the nonprofit that the organization does not have today, nor could afford to provide for employees.

The perfect future leader for the organization should be someone who can quickly build confidence with people. Although Beth said she is a strong introvert, the CEO still has to be the face of the organization, both internally and externally. Whether the person is an extrovert or introvert, the CEO has to attract talented people to the organization and be visible in the community and meet people.

Bob said, “The skills and competencies necessary for nonprofit executive leaders to succeed are the same as for-profit leaders.” A leader needs to have the ability to attract talent on the executive team that is capable of running the day-to-day operations, so the leader can focus on the vision and strategy of the organization. This requires the leader to be transparent and authentic. Bob articulated that the leader needs to have a spirit of flexibility, service, and approachability with people. The leader has to be able to lead with a cool head even when there is uncertainty and ambiguity.

Bob realized quickly that the job change from for-profit to nonprofit is really not any different. Bob said,

The person is working for a focused mission, rather than working to increase shareowner value, which I did at the telecommunications company. The person must have a for-profit background to step into an executive level position at any organization the size of this $50–$60 million a year nonprofit.

According to Bill, the CEO needs to have a vision that is regularly communicated to constituents and various stakeholders in the organization, as well as the broader community. This requires good people skills in the sense that as the nonprofit becomes larger, the CEO is managing people. Bill said, “The CEO’s primary responsibilities are
managing people, delegating to executives, and assessing and evaluating talent. The primary characteristics are not much different than in a for-profit business.” Most really effective CEOs had a vision of where the organization was going and were comfortable delegating authority to subordinates.

Bill specified that most nonprofit organizations rely on donors or state or federal agencies to support operations. If the CEO is not good at raising money, the nonprofit is not going to be successful. The nonprofit is visible in the community as the largest organization providing employment services for the disabled in the metropolitan area. This requires a CEO to communicate the mission to the public. The job requires the face of the CEO to make an impact on the audience. According to Bill, “A large gift will not be made unless the CEO sits down across the table with that donor and convinces the individual that he or she should part with the money.”

**Redefining socially accepted financial measures for society to understand the nonprofit sector.** According to Beth, the nonprofit looks at return on assets to determine if the organization is sitting on a bunch of assets because of its endowment. The endowment has several years of value worth, and if the organization is bringing in revenue as a portion of that, then the nonprofit is sitting on too many assets, and not doing enough for the clients today. Conversely, if the nonprofit is sitting on too little assets, the organization is not preparing to serve people in the future. Beth said, “I look at return on assets, liquidity, growth and excess revenue over expenses of a certain amount to determine whether the organization is doing enough or not for our community.

Beth revealed that there is a tremendous amount of reform going on at the federal and state government level, which is going to change the way services for people with
disabilities are funded in the future. The funding will be reduced, which will require the nonprofit to find more efficient, less expensive ways to deliver services to people with disabilities. Consequently, the nonprofit began transforming the business model and searching for strategic partnerships. In 2014, the nonprofit began to collaborate and provide backroom HR, information technology, and finance for another nonprofit. This was a nonprofit that Beth’s organization had a connection with for a long time. Beth said, “This relationship provided strong backroom operations and good benefits for both organizations and provided great synergy. This connection has also been a tremendous learning opportunity for me and the executive team.”

Beth’s organization has another partnership with a start-up that provides services for people with autism. This connection allows the organization to provide consulting services and training to the start-up nonprofit. The goal is to offer more consulting services and training to other nonprofits and explore additional strategic partnerships, which could include acquisitions and mergers.

According to Bob, the nonprofit respects the resources that are given by taxpayers and by government, and the organization uses those resources wisely, effectively, and respectfully to support those less fortunate than us. Bob stated the organization is, in many ways, run like a for-profit company, including key performance indicators, thirteen balanced scorecard measurements, and tracking revenue ratios. Bob said,

The nonprofit is successful when our constituents, the individuals with disabilities that the organization supports and serves, their families, government partners and officials who fund our work, donors that give us some of their treasure to help supplement what we receive from the government, and our employees, all across this community, that are out in the trenches every day – when all of those constituent groups feel proud of what they are doing, the products and services that they are delivering, and they are excited to say, “I work for ( ), and the work that I do
every day is making a difference in the lives of people that are most vulnerable in our society.”

According to Bill, obviously a nonprofit could not continue to provide services at a loss. It just would not make sense even for a short time. Therefore, the nonprofit must generate enough revenue to cover the cost of providing the services. Bill said, “ROI, to me, has to do with the people that we serve. Are we providing a service of value to the people we serve? Can we expand that to people that are not being adequately served or could be better served? This is the way I would evaluate ROI from the nonprofit perspective.” Bill articulated that although the benefits may appear intangible, there is a definite value.

**Periodic CEO turnover is an opportunity to move the organization forward.**

According to Beth, “I have a fabulous board, and I guard it zealously.” She has been able to add strong contributors and great people, which is a peer relationship to a certain extent. Beth said she participates in two different presidents’ groups where she tries to get various types of peer support from members on the groups. She believes this has been a very valuable addition to her personal learning curve and the organization’s success.

Bill said,

Nonprofit work is unique in this sense, because it requires sacrifice on the part of the people that are in that sector—whether it is the volunteers on the board or the people that work there. Hence, turnover is important. This nonprofit is very unusual by having the same CEO in place for so long. I personally think that you have to experience turnover in management in most organizations because otherwise that person ends up looking inward and loses the broader vision.

Although this nonprofit is kind of an exception to the rule, Bill shared,

I have been involved in a number of Catholic organizations, and a local Catholic high school in the Twin Cities is one of them. In the early 1990s, I helped hire the CEO who is now leaving. He is an absolutely phenomenal leader—he developed that school from practically the brink of bankruptcy to being the preeminent Catholic high school west of the Mississippi. He brought great leadership, and it is a very good school. He is retiring now and it is going to be difficult to replace him, but it is
also a good opportunity for the school. The organization needs to grow beyond him and beyond the message that he delivered. The school needs new leadership to continue to flourish, although he has been absolutely terrific.

In the not too distant future, the retirement of the CEO will happen at this nonprofit. From Bill’s perspective, the retirement of the CEO may be a very good opportunity for this organization as well. According to Bill, nonprofit CEOs should turnover within 10-15 years. When the CEO gets to the 10-year point, Bill said, “The leader ought to be thinking about, ‘Is there anything else that I can really do for this organization to improve it, or is time for me to move on and find somebody else?’”

Summary of My Thoughts About Case 2

Beth was aware of how the treatment of people with disabilities is evolving in the country. She did not come to the job with a particular preset attitude or views on how the business should be conducted, which allowed the organization to be very nimble, flexible, and adaptable. As a result, the organization evolved rather dramatically under her leadership. The nonprofit is a mature organization; therefore, the leadership attributes appeared to be relatively the same as for any for-profit CEO, which was consistent with the comments from the interviews.

Beth’s steadfast belief in the importance of passion for the work and business experience were the key elements for success of the organization. This practice was evident in her approach to assessing and hiring people for the organization. Her beliefs and values are the foundation of the organization. She is laser-focused on the business and serving the needs of the clients. Beth’s colleagues valued her open and honest communication style. Most importantly, I believe that Beth lived and demonstrated the values she espoused, which was affirmed by the board and executive team participants.
Beth was a very astute and experienced leader who is comfortable in her own skin. I found her to be genuine and the epitome of authentic leadership. The expectations for the next CEO will be high; however, the transition to new leadership may yield even greater growth and better results for the organization.

Case 3

**Place.** This is one of the largest private, nonprofit social service organizations in Minnesota. Although this faith-based organization is part of a larger association that is 150 years old, the nonprofit was formed more than 50 years ago. The nonprofit has 2,300 employees, who serve in more than 300 communities.

The nonprofit offers a comprehensive array of support services for individuals, families, and communities. These services are designed to ensure individuals have the opportunity to live and work in the community with safety, dignity, and hope. The services include mental-health counseling, housing, and employment services, and the largest of the services provided are to assist people with developmental disabilities. Additionally, the support services are intended for children, youth, elderly adults, families, and people with disabilities, especially concentrated in rural Minnesota. Seventy-five percent of the nonprofit’s work is outside the Twin Cities.

**Interview space.** I arrived at the nonprofit’s main office, which is located in St. Paul. As I surveyed the building and the grounds of this large, private, nonprofit human service organization, I was curious about what I might find behind the doors of this institution. I approached the front door and stepped inside, expecting a very busy place filled with people and distracted workers. On the contrary, I found a comfortable lobby and a friendly greeting from the person behind the desk who had immediately recognized I had
arrived. I was escorted to the office of the CEO and found myself engulfed by the history of this organization. The CEO’s office was large, and the office furniture was appropriate for a social service organization. There was a coffee table in her office, with a couch and chair for meetings, and this is where the interview took place.

The Participants

Cindy, the CEO. Cindy was a woman in her 50s, who began nonprofit work 10 years ago. She has a master of business administration with a concentration in finance. Cindy began her career in marketing at a large medical technology and services company in the Twin Cities, and later became vice president of marketing there. In this role, she managed the sales force. Cindy worked for this medical technology and service company for 23 years before deciding to move into the nonprofit sector. She was considering work in the nonprofit sector as a place to go after a very successful marketing career at the company. As a result, her New Year’s resolution was to begin exploring nonprofit opportunities. In her search, the next person Cindy met was her gift officer from this faith-based nonprofit because she was a donor. She said, “I will write you a check, but I am really looking for a career.” The gift officer introduced Cindy to the nonprofit CEO. She and the CEO had lunch, and then he invited her and her spouse to join him fly-fishing. The candid discussions encouraged Cindy to continue networking in the nonprofit sector. Fourteen months later, the CEO’s fundraiser left the organization and he called and eventually hired her for the job.

She found the move from sales to fundraising was very logical. Her ability to articulate the features, advantages, and benefits turned out to be transferable skills, which enticed people to donate. After a period of time, Cindy suggested to the CEO that she should become Chief Operating Officer (COO). According to Cindy, this was a better fit than
the fundraising position, for her and the nonprofit, because she brought all the skills of running a business from managing the sales force at a medical technology and services company. The CEO agreed, and she was promoted to COO. The CEO later decided to retire, and the board began a national search for his successor. After the board interviewed many candidates, Cindy was selected as the CEO to lead the nonprofit.

**Chuck, the executive team member.** Chuck, the CFO, was a male in his late 40s who had more than 13 years of experience in the nonprofit sector. He had worked for the current nonprofit for 7 years. His career began at a global soft drink and beverage products company where he worked for about 15 years.

When Chuck worked for the global soft drink and beverage products company, he was the youngest and least-tenured executive, so he was assigned to lead the nonprofit campaign. At the time, the organization was experiencing declining donations for the nonprofit campaign. Chuck did not feel any special acumen or drive towards nonprofit work, but he wanted to revitalize the giving campaign in the organization and also prove that he was a strong performer. Although the organization had employees coming and going at all hours of the day, he was determined that the campaign would touch every shift, department, and employee. Chuck decided to have 25 sessions and bring in people, who were directly helped by the nonprofit, whether it was for children from the Boys and Girls Clubs who decided to get out of gangs, or to the resolution of some other family hardship. He attended all 25 sessions. The company’s donation to the nonprofit went through the roof, which caught the attention of the nonprofit leaders who contacted Chuck and encouraged him to get more involved in the nonprofit sector. As he reflected on the 25 sessions, Chuck was really moved by the compelling stories of the people helped by the
nonprofit. He said “I had a skill set that could help, and I wanted to have something more fulfilling to come from my work.” Chuck initially made the decision to move into the nonprofit sector as a controller and then progressed up the ladder to CFO of this large nonprofit.

**Chris, the board member.** Chris, the board member, was an older man in his 60s. He looked confident, professional, and well-established. He was an appointee to the board in 2010, representing 1 of the 6 regions in the state. Chris had been affiliated with the nonprofit for many years because of his faith and his service on the board. He has primarily served in a policy governance capacity, but was on the executive committee at the time of the interview. He has helped with the revision of everything from the articles of incorporation through the board policy manual.

Chris was a retired public school superintendent. According to Chris,

I have come to really appreciate the mission of this organization and recognize that my own professional career as a public educator and the work of this faith-based nonprofit are linked in so many ways through my affiliation with children and families.

**Analysis**

Based on the interviews with Cindy, Chuck, and Chris, six themes emerged regarding what skills and competencies executives of nonprofits need to succeed. The six themes are:

a) passion and steadfast belief in the mission while embracing aspects of the for-profit approach; b) redefining socially accepted financial measures for society to understand the nonprofit sector; c) boldness and growth through acquisitions and mergers; d) both intellectual and emotional intelligence are important for leadership; e) appreciating CEO turnover as an opportunity to move the organization forward; and f) right leadership and board governance.
Passion and steadfast belief in the mission while embracing aspects of the for-profit approach. Cindy said one of the key tangibles for this particular nonprofit was her association and belief in the organization. In her family, Cindy is the seventh generation affiliated with this faith-based organization; hence, this opportunity worked nicely because she felt strongly and had an inherent belief in the organization. Cindy said,

This has become an extremely important piece of the commitment to me, but only after the fact, not going in. It was clear to me that I was coming from a very big company and I was going to need to go to a big nonprofit because a small organization would not utilize my skills and I would not be as useful or as satisfied.

She said although one’s affiliation with a faith-based organization is not necessary to lead a nonprofit of this size, it does give a person extra passion when talking to employees and people in the community. Presently, at the heart of this faith-based association, many of her colleagues across the country are looking at the next generation of leadership and thinking that the person may not come from the faith. The faith-based association is shrinking, the denomination membership is shrinking, and many of the organizations in the association are expecting the next turnover in CEO leadership to be someone who is not of the faith. Cindy remarked “I had a strong bias, especially since I took the job, that the CEO needed to be of the faith, but now I am questioning this myself because of the skill set required to be successful.”

According to Cindy,

I could find a really fabulous executive that has a passion for our mission and teach her or him the faith-based instruction and education, or I could find a person of the faith and teach her or him how to close the fiscal year, how to do cash management, and how to balance 23 different lines of service across 87 counties.

In the past, Cindy said it would certainly be critical for the CEO of this organization to be a person of this faith and almost certainly a Christian. However, she is really starting
to question her assumption that the person needs to be of the faith. Cindy said, “The first thing is really passion for the mission. This has always been true for nonprofit organizations, and it always will be.” The CEO must be able to have that deep gut feeling and be able to speak to the mission and explain why it matters in the world. Then, he or she must have the ability to engage other people in the mission, which is an enormous undertaking and certainly where it begins. Cindy said, “I can find people with various skill sets, but unless the person really has a passion deep in their gut about working for the organization, it is a nonstarter.” According to Cindy, the CEO must have the ability to inspire the public to support the organization and to motivate the staff to work and stay true to the organization. She said,

Outside, people listening to me want to hear something that inspires them to stay connected and support the organization. Staff is looking for leadership from me. They are also searching for a heartfelt passion for mission because they came here for that very reason. Employees are looking for deeply meaningful work and they want to hear from me that this is what they will receive here.

Hence, communication skills with a compelling vision are critical.

Some people from for-profit backgrounds would be successful nonprofit CEOs and some would not. The person must have a passion for the mission and the ability to inspire people around what the organization is trying to accomplish and then deliver good financial results. Cindy stated that nonprofit CEOs spend more of their days on the mission and motivating people to support what the organization is trying to accomplish than for-profit CEOs. According to Cindy,

I spend more of my days inspiring people with passion for our mission than a for-profit CEO. For-profit CEOs need to include that also, but he or she must spend more time on good financial results than on talking about the mission and inspiring people around it.
She discovered the proportion of her time for this is different and more complicated versus the proportion of air time a for-profit CEO gives to these areas. This is the primary difference.

According to Chuck, passion for the organization is especially important to millennials. These millennials are into the mission and are true believers. These individuals expect the leaders to care about an employee’s contribution to the mission and to further safeguard the mission. Safeguarding mission is something that millennials consider sacred, because this is what attracted the individual to the organization in the first place. Millennials perceive the responsibility to the purpose as selfless, so each individual had to give up something to work for the nonprofit; therefore, the leaders must also be safeguarding that purpose and acknowledging that his or her efforts are contributing directly to the achievement of that mission. Chuck said,

Millennials and people more broadly, hold nonprofit CEOs to a higher standard than I saw in the for-profit industry. For-profit CEOs are expected by shareholders and Wall Street to deliver good financial metrics. Nonprofit CEOs are expected by constituents to stay true to the mission first, deliver the metrics second; otherwise, people will consider leaving the organization.

There is a big difference in perception of ethical and moral behavior. Chuck said, “Everybody in the nonprofit, especially millennials, expect the leader to really walk the talk.” For example, when Chuck was at the global soft drink and beverage products company, he thought it was cool that the CEO came to work in a helicopter. Chuck said if the CEO of the nonprofit drove a Mercedes, people would say, “I’m making $8.50 per hour and you are coming in to tell me that we all have to get through these tough years. Really? How much are you making?” People are on edge against that type or look of hypocrisy.
The CEO’s image is key and people see through it if it is purely a cover. The CEO has to embody the mission with the heritage of the faith-based organization.

According to Cindy, “A CEO needs to define reality, guide, equip, and say thank you.” Defining reality is taking a look at all the issues and opportunities swirling around the organization and then identifying the top priorities for the next year. Equally important in this world is to go from a vision to execution. This is taking the concept and actually delivering on the vision. There is a rare group of people who can both have the vision and see the idea through to execution. Cindy stated that these are the great leaders.

According to Chuck, the CEO of a large nonprofit must be able to articulate the mission and efficiently execute the strategies and objectives. The CEO must have a vision that permeates through the organization. Chuck said, “In articulating a vision and a future point for the organization, the CEO must get enthusiastic buy-in to that vision. This requires the ability to measure and adjust on the fly as part of that execution.” The CEO of a nonprofit has to embrace aspects of the for-profit approach. According to Chuck,

Having a CEO equipped with for-profit experience, given the size of this nonprofit, is very helpful. Although an anomaly, as to the size of this nonprofit, the strength of the systems and the emphasis on execution that comes from the for-profit industry is critical.

Combining this experience with a passion for people and the value of helping people in need really permeates through the organization. He said, “As a country, we would be well-served to invest in a for-profit approach to our social sector.”

According to Chris, the CEO needs to have the ability to articulate the vision and to generate the excitement associated with that direction for the organization. The CEO must have a solid moral foundation. Chris said,
I am not talking about a faith-based foundation, but I am talking about the moral substance, the ethical base to understand right from wrong and be driven to do right when so often the temptation is to cut corners or do wrong.

According to Chris, “This is a large and a sophisticated business, so the CEO must be competent and have business acumen to not just manage, but to lead a $100 million organization.” Chris said, perhaps more importantly, this is a service organization and the individual must have a heart and soul for service. This is not just a service organization, it is a faith-based nonprofit that has the heart of hope and spirit of faith. According to Chris, “Cindy understands that it is our role as a faith-based organization to reach out and to help people stand up and step up.” Although the organization is faith-based and this is part of the nonprofit’s mission and heritage, the people who are served are not necessarily of this faith or any particular faith at all.

According to Chris,

I was not born and raised in the faith of this organization, but I did marry a person of this faith. However, I was deeply vested in a Christian faith. Our board is served by people from many Christian faiths. In the future, having a CEO affiliated with a specific faith may not be as important as long as the person is Christian.

**Redefining socially accepted financial measures for society to understand the nonprofit sector.** Cindy said she understands that people expect the CEO to be the person who inspires them, which is the reason individuals sign themselves up for this truly deep, meaningful work. Employees want to hear from the CEO that this work is going to make a difference in the world. According to Cindy, success is measured by whether or not the organization is changing the world. The organization’s largest service is to people with developmental disabilities. She said,

I believe in improving the quality of people’s lives exponentially while saving a boatload of taxpayer money because our service models are less expensive than the current models. In a sense, the nonprofit is leading the state, if not the nation, in the
next level of how people with developmental disabilities are going to live in the community among us, which is how I know the organization is changing the world.

A second measure of success is that the organization remains sustainable year after year. Cindy said, “This is setting a budget, making budget, staying in the black, not losing money, and not going into too much debt.” The organization does not measure ROI simply because the nonprofit does not include any investors. Cindy measures success by the organization growth more than the margin. She said,

The organization has a small margin, so at least not losing money is a success factor and is growing. The biggest challenge is operating a zero-margin business, on more than $100 million in revenue. Actually, not necessarily zero, but on average, the margin is 1%.

The organization spends almost all year trying to bring in the last half million so that there is some margin on the bottom line, when the nonprofit closes at year-end. She mentioned in a for-profit business, the organization needs 15% growth every single year because the focus is on growing the stock. In this nonprofit, there is pressure to bring in a 1% margin every year. The organization has great financial discipline, which she has been working on for several years. She loved when Muhammad Yunus received the Nobel Peace Prize. He talked about the creation of the Low Profit Center. He never did anything that lost money, but beyond not losing money, maximizing the money he made was never the goal. Muhammad found ways to achieve the mission and be sustainable but not lose money. Cindy said, “This is kind of the way that I think about the organization.”

Cindy revealed that the organization has so many people, willing to give the nonprofit contracts for work, who say, “Do not use any of these funds for overhead, do not use any of this to support your organization, just do the project we asked you to do.” Cindy said if the only thing the donor focused on was how much actually goes to the program,
then the individual fails to understand what it takes to run a successful nonprofit. Eventually, this type of behavior could encourage leaders to make ill-advised decisions, which could starve the nonprofit of what is necessary for growth.

According to Chuck, the organization has a 9.6% overhead rate, which is very lean in comparison to other nonprofits. What is happening across the country is fewer people are giving to nonprofits. The individuals who are still giving are donating more, but want to know where the funds are going. Chuck said these individuals are designating where the funds should go and not just saying, “Hey, we trust you to do it.” This is advantageous for the organization because the nonprofit can track every dollar and show the business is run very efficiently. Chuck articulated there was a poll of the general public that asked, “What should a nonprofit’s overhead rate be?” Most people said something like 2%. Chuck said, “I would never give to somebody who had a 2% overhead because it means that the organization has no controls.”

The nonprofit invests in really strong information technology systems for tracking and recording financial data. According to Chuck, “We are the largest social service nonprofit in Minnesota, and we have very strong IT systems.” The organization has key performance indicators and a quick monthly close process. Chuck said the expectations around federal audits are amazing as far as what government expects and the organization delivers. The expectations are very high and the nonprofit receives clean audits.

Chuck stated, “It is a place where margin and mission are seen as two sides of the same coin—the better we execute, the more people we help; the more people we help, the better we can execute.” This requires a mindset that margin and mission are complementary, not an adversarial relationship. Chuck described the nonprofit’s ROI by
the number of people the organization can help and by the number of needs the organization can address most efficiently.

**Boldness and growth through acquisitions and mergers.** Cindy shared, “There will be mergers and acquisitions in the sector, but there will continue to be nonprofits popping up all over the place.” The organization is in the acquisition mode, usually looking at nonprofit organizations that are $5 to $10 million. This is where the nonprofit sees the most growth for the organization. Cindy has asked all of the leaders in the organization to look for opportunities to grow their business lines and services. She wants to have a general growth mentality in the organization. Cindy said,

> Our mission is to go out and find the people who need our services and to keep growing until all people who need services in the community are satisfied. So, growth is absolutely the piece that the organization is after. This is growth for the sake of our mission and it is growth because it makes it all work.

Unfortunately, culture does affect the acquisition and merger growth strategy and mission. The organization might look attractive from a growth standpoint, but the mission is different. Cindy stated, “We acquired both nonprofit and for-profit organizations.” One organization was a group home, which was run as a for-profit business. Cindy articulated that she saw more differences between people who were working for a smaller organization, moving to work for a large organization, than she saw because the business was structured as a for-profit. Cindy said there have been some acquisition challenges; however, the organization has not run into culture clash in the acquisitions that have been undertaken. According to Cindy, “It would be a major factor if for some reason we looked inside and thought, oh boy that is a really different culture.”

Chuck revealed that the organization needs to grow to survive. The nonprofit needs at least a 5 to 10% growth rate annually. The organization had a very entrepreneurial
structure with 20 senior directors that ran 20 lines of service, almost functioning independently. According to Chuck,

> We can either shrink like other nonprofits did, especially during the recession, or we can grow. The nonprofit grew 10% a year during the recession, largely through acquisition of organizations who were not making those hard decisions. We are getting squeezed by health care costs going up about 10% a year, we are self-insured, but our claims increase about 10% a year lately, and then there are any number of government cuts at different times including budget sequestration.

Chris said, “Cindy must still be bold, and the bolder she has been, the more successful the nonprofit has become.” The nonprofit has become a $100 million organization because of acquisitions. This is not common in a traditional not-for-profit business model. This nonprofit has moved to acquire smaller strategically aligned organizations after carefully considering certain elements. Chris said, “This is a result of Cindy's leadership, something that the board could not have inspired, nor something a nonprofit board would probably think about.” Cindy unleashed her creativity and recognized that there needed to be economies of scale in order for the business model to continue.

Chris said a few years ago, the nonprofit examined the merits of the acquisition of a prominent $50 to $60 million organization in the metro area that delivered services to persons with disabilities. According to Chris,

> Ultimately, even though the stars were lining up in terms of the missions being similar, the fact that we were trying to acquire an organization that was not a faith-based organization caused the merger to stop because a part of the corporate culture at the faith-based organization included prayer.

Chris said it is not unusual for staff meetings to begin with prayer and that was an issue. This other nonprofit was not a faith-based organization, and was supported by county
dollars and public funding. Basically, the missions were similar, but the culture and the way that each organization carried out their missions were different.

**Both intellectual and emotional intelligence are important for leadership.**

Cindy explained that the attributes for the perfect CEO are a strong and healthy ego, because the person must have the inner strength to stand for the mission of the organization and communicate the message to the world. The CEO must correctly answer the questions and then firmly respond to these challenges. People challenge nonprofits all the time on whether the leaders are getting anything done or whether the work or effort is any good. Cindy revealed,

> I get people on the phone who are irate with us about one issue or another issue, so the leader has to be able to take all that and not get thrown or hooked. Then I would say a healthy ego because it is not about you, so an ideal leader in my case would be an executive who puts the organization before themselves.

According to Cindy, the CEO must bring great intelligence. When she worked with a local leadership consulting firm for her soft- and hard-skills assessments, the firm said the number one correlation in the data was CEO intelligence: just being plain smart. Then, the second correlation was emotional intelligence. Cindy said these correlations resonated with her, and she was glad that somebody invented emotional intelligence a few years ago, since the concept is also an enormous benefit.

According to Chris, the most difficult part of leadership is not the technical aspect of the responsibility. He has done mentoring in his own professional world and has watched superintendents struggle. Chris revealed that the superintendents do not struggle because the individual does not understand a budget or recognize what the law says about personnel. These superintendents struggle because the individual does not have the emotional quotient permitting them to be successful in a world that involves human beings
who are unique. Chris recognizes there is a human element in every business, and the CEO of any organization interacts with other humans. The interaction in a human services organization is even deeper because the decisions impact the people. The impact and delivery of services personally affects people. Chris said,

The CEO needs to be intellectually and emotionally competent. Very smart both in terms of the ability to figure things out and cognitive skills, but to be driven by a very high emotional quotient as well, holding a keen understanding of what is happening to people around them.

In his experience, people often fail on the emotional quotient, not on the intellectual quotient.

**Appreciating CEO turnover as an opportunity to move the organization forward.** Cindy said the job is 24-hours-a-day, 7-days-a-week. There is never a break between the organization and her personal life. Whatever she does out in the world reflects on the nonprofit. Yet, she insists the brand does not ride on the one person. People have an expectation of the organization, but not of her. Cindy is judged by whether she can articulate the mission and vision of the organization and whether she is going to stay true to what people believe are the key values of the nonprofit. She said,

People want to know whether I am continuing to take the organization in a direction that makes sense to them, but not because of my charisma or something that becomes solely focused on me. Especially in this organization, because it is not about me—the organization is faith-based.

Cindy articulated that in the for-profit world, the CEO turnover is much faster than in the nonprofit. Her predecessor worked at the nonprofit for 25 years, and most people now say that no one will stay that long in the future. She stated that the tenure might have been too long. Cindy appreciated when Bill George, former CEO of Medtronic, said that he thinks a person can bring about 10 years of worth to an organization. Then, he or she has
probably given all of their best ideas and it is time for somebody else to come in and lead.

Cindy explained,

This is wise. I have to decide whether I can be the CEO for 10 years, or if I have already been here for 10 years and already given the organization my best ideas, and then it is time for somebody else to come in. When does one know that?

She thinks that between 5 and 10 years is a good number for a CEO, if one can continue to effectively lead the organization. This role can actually become routine and boring over time.

According to Chris, “Cindy is outstanding and we would love to have her for as long as she continues to be as successful.” He recognized that in organizations and institutions, there is merit in having a constancy of leadership. Chris was not talking about a consistency of approach necessarily, because a leader who is consistently hard-charging and seeking appropriate change is an imperative; however, he also realized that organizations benefit from new leadership on a periodic basis. Chris said, “This is an organization that was not in need of significant and fundamental change, but the nonprofit clearly benefited from Cindy’s leadership as she emerged as the CEO.” Her predecessor was very successful, but the organization was stuck in a pattern. Chris said the former CEO would acknowledge that Cindy brought a new and different energy level to the position; hence, he believes an 8 to 10 year trajectory is probably appropriate for a nonprofit CEO.

**Right leadership and board governance.** According to Cindy, “I would distinguish for nonprofit executives that there is a huge difference between running $100 million nonprofit and a $300 thousand nonprofit.” In a very small nonprofit, the executive director often has the board actively participating in the organization, such that the treasurer of the board might be the accountant for the organization. She said you can rely on skills from
other people to get through the parts the leader does not understand as long as this person has a good sense of leadership and a passion for the mission. Certainly, in an organization over $100 million, she would be nervous having a CEO who does not have the knowledge to run the organization.

This organization has used a policy governance model that has been effective. It was John Carver’s policy governance model. Cindy explained that John Carver and his wife wrote a book some years ago about a model for nonprofit governance because there were not any available. There were lots of books written on the for-profit side but not so many for nonprofits. It is all about freeing the management team to run the company and not having the board do it. It is a unique kind of model where they put together a policy manual that tells the CEO what he or she can and cannot do. It mostly describes what CEOs cannot do, and whatever they do not say, the CEO can do. Cindy provided the following example.

As CEO, I cannot borrow more than 1% of the total budget of the organization without showing the board a plan for how I would pay it off. Within that, I can take out debt and finance projects however I like, but when I hit that 1%, I have to meet that test of securing a plan.

Regarding the board, instead of doing operational reviews at every board meeting, they would focus on policy and what John Carver means by policy really is strategic direction. So, in my next board meeting we are going to show the board a synopsis of the 5 year plan. They already saw the plan in the spring, now we are going to show them kind of the elevator pitch and some back-up materials, and then our 1 year plan and the strategic conversation will be around how well this plan meets the board’s stated outcomes expected for the organization. It will be that kind of conversation. We do not have a presentation by the marketing department and the finance department and the HR department.

According to Chris, a person could possibly be the CEO of this organization coming from a nonprofit, but he believes the individual would need to come from an organization with a complexity of resources. This nonprofit has all of the elements of a robust and
thriving business with a dynamic customer base, a diverse revenue stream, and a multifaceted budget. He remarked,

I serve on a board of directors for another nonprofit in central Minnesota. The organization is about a $4 million operation with an incredibly competent CEO. However, the step from a $4 million organization to a $100 million organization would be too big of a step.

Although he stated that someone could come from a smaller organization and progress toward this size of an organization, Chris acknowledged it would be an extraordinary individual who could move from very small to very large. Chris said,

In my world, I served as superintendent of a rural school district of about 1,000 students, but I would not have been a serious candidate for the superintendent of the Minneapolis Public Schools for good reason. However, I could be a candidate for a 4,000 student school district. The complexity of going from a much smaller organization to a very large one has too many moving parts given the level of experience necessary.

His sense is that this is the same situation in both the nonprofit and for-profit industries.

Summary of My Thoughts About Case 3

People from many sectors of the economy are bringing their skills and talents to the nonprofit sector, including individuals with for-profit experience. Although there are some very savvy pastors who have been running these social service nonprofits for a long time very effectively, the sector will see many more people from for-profit organizations and fewer pastors in the future. These nonprofits will also rely on more business people to serve on their boards. The main focus is on individuals who have the skills to run a really good organization.

I had assumed that the nonprofit CEOs, due to their passion and hard work, stay within a particular nonprofit sector until moving to a larger organization in that same sector or retirement; however, a CEO can lose the drive and the passion for the work after
so many years in the same position. Therefore, CEO turnover can be good for both the individual and the organization to move forward. It is not that the CEO is no longer doing a good job, but it appears this change can bring a fresh perspective, reenergize employees, and result in new donor relationships.

Case 4

Place. The nonprofit has served Minnesota for more than 140 years and is described as one of the largest comprehensive social service agencies in the region. A collaboration of leaders formed the nonprofit many years ago in response to a pressing need in the community, like many not-for-profit organizations. This nonprofit began with taking care of orphan children from the veterans of the Civil War and grew to creating children’s programs that later evolved into working with immigrants and refugees—providing housing and job services and connections for all. Additionally, the organization helped young unwed mothers to care for themselves, give birth, and then provide adoption services, if necessary.

The organization offers more than 30 different programs in 18 different buildings and facilities, providing shelter, meals, connections to jobs, and medical care for those experiencing homelessness. The nonprofit also provides assistance to children, families, and older adults, and offers help for immigrants and refugees. In addition to empowering people to help themselves, the organization also serves individual with disabilities and improves the quality of life for the entire community by advocating on behalf of the most vulnerable.

Interview space. I met with the CEO at the nonprofit’s main office, which is located in Minneapolis. The CEO’s office was large. The office furniture was neither fancy nor
extravagant. There was a conference table in his office, which was surrounded by several fully stocked bookshelves. There were a variety of books, ranging from *Why Nations Fail* by Daron Acemoglu and James Robinson to *The Leadership Challenge* by James Kouzes and Barry Posner. We decided the conference table would be a good place for the interview to take place.

**The Participants**

**Dale, the CEO.** Dale was a male in his mid-50s who began his affiliation with not-for-profit work in 2008. He had been employed for more than 3 years with the social services provider. His education background included a bachelor of science in political science and economics, a master of public policy, and a juris doctor.

Dale primarily had practiced public law, which meant public finance. He did some bond lawyer work—so when cities and public authorities wanted to issue bonds, he would facilitate financing of public projects, housing, economic development, and traditional civic buildings. Dale was also a lobbyist at the Minnesota legislature for public financing. Essentially, Dale’s expertise was administrative law, real estate development and zoning, and the environmental review process on behalf of private and public clients. He helped clients navigate the public sector and, in many cases, also represented major public sector entities in structuring economic development housing programs.

Although working as a partner at a major law firm and enjoying success as a lawyer, Dale contemplated his future and realized that attorney work was not fulfilling his passion. He wanted to be a public servant. Dale wanted to improve and advance the common good. He was given an opportunity to work in the city government in St. Paul as the city attorney and deputy mayor. After a few years, Dale went back and practiced law for a while, and
then moved into the position of Minnesota State Housing Commissioner. During that period of time, he came to know Minnesota’s very well-formulated, high-functioning nonprofit organizations. Dale discovered how nonprofits partnered with government and how together these organizations partnered with the private sector.

Dale recalled,

Most of my law practice and volunteer work was with the not-for-profit sector and getting to know them. So, if you look at that as experience, it would go back about another 10 years in terms of knowing the sector, representing major foundations and major nonprofits.

One of the benefits, due to this type of public service, was many of his nonprofit clients would rely on him for more than the traditional legal work, and actually had him focus on the strategic work of the organization as well. Dale said,

When I was practicing law and drafting the documents and doing the negotiations, I thought what nonprofits are doing is a lot more fun. When you are making the decisions and formulating the policy that is one thing; plus, just my upbringing and my make-up was one that aspired to public service.

When Dale was ready to leave government service for the last time, he was hired to lead a major nonprofit in New York City. He related that these various parts of his past experiences served him well in his position as the nonprofit CEO. After serving 3 years as the CEO, Dale was at the point of making a decision to return to Minnesota or to live permanently in New York City. There was a strong pull to head to Minnesota, and fortunately this nonprofit had an opening for a CEO. Dale had always had an affinity for the organization, which happened to be one of his clients during his tenure as a lawyer. Additionally, he had volunteered for the nonprofit several years ago. As a result, Dale applied for the job and when he was offered the position, he was thrilled about the
opportunity to work at this large and prominent nonprofit. More importantly, this CEO role allowed Dale to return to Minnesota, which he often referred to as home.

**Diane, the executive team member.** Diane, Senior Vice President of Client Services and Partnerships, was a female in her late 40s who had been with the organization for 1 year. Diane received her master of public planning with an emphasis in housing from the Humphrey School of Public Policy and Affairs, University of Minnesota. She began her professional career by working for a very small nonprofit housing developer in south Minneapolis. She grew up professionally doing public sector strategic development, service redesign, change management, and consulting. Prior to working for the nonprofit, she worked for a St. Paul-based public sector consulting company. Diane was making the transition out of owning a portion of that business, which moved her into more nonprofit consulting and then ultimately being hired at the current nonprofit.

**Dave, the board member.** Dave was a male, who has been a member of the board since 2009, and had cumulatively 15 years of nonprofit board experience. Dave retired from the U.S. Navy in 1998, and one of his goals was to get involved in not-for-profit management as a board member. His first experience was as a board member for 8 years with a nonprofit charitable organization in Minneapolis. After this board experience, Dave decided he wanted to serve on the board of a faith-based nonprofit organization. He did not know much about the current social services providers, but his uncle-in-law was the CEO of an affiliated social services organization in Boston. Dave conferred with this family member and concluded he should knock on the door of the former CEO of the current nonprofit organization to request a position on the board. The former CEO expressed that Dave’s knowledge of the organization and the nonprofit mission was very limited and
encouraged him to serve as a community volunteer. Dave said the nonprofit appeared to be a good place to start, so he accepted the advice and served as a volunteer for a couple of years. In 2009, Dave became a board member.

**Analysis**

Based on the interviews with Dale, Diane, and Dave, four themes emerged regarding what skills and competencies executives of nonprofits need to succeed. The four themes are: a) mission appreciation with smart business practices for managing complexity; b) balanced scorecard principles with redefining socially accepted financial measures for society to understand the nonprofit sector; c) passion for the environment with rock bottom integrity; and d) founder and CEO turnover are opportunities to move the organization forward.

**Mission appreciation with smart business practices for managing complexity.**

According to Dale, the CEO must have a strong sense of the vision and mission, which includes the reason for the nonprofit in the community and what the organization is trying to accomplish. Additionally, the strategy must be clear on how to actually achieve the vision and mission. The CEO has to know the marketplace to determine the most effective way to achieve the vision of the organization. Implementation requires a really strong team to assist, since the CEO is one among many, particularly in a large and complex organization. Finally, the organization needs financial and relational resources as the fuel to advance the nonprofit. The leader’s job is to ensure that everyone is focusing on the vision, strategy, implementation, and resources.

Establishing legitimacy, where people will trust and want to follow him or her, can be challenging for the CEO. Dale said, “This requires the leader to be a positive role model,
so others will look up to them and want to follow. These followers must believe the mission of the organization is imbedded in the CEO’s heart.” The CEO must have a presence of mind and understanding of the customers and clients’ needs, and not be afraid to get his or her hands and fingernails dirty, if necessary. People need to have an assurance of the CEO’s dedication and compassion, and this trust comes from his or her honesty. This is a confidence that the CEO is going to live up to the expectation of the role and truly understands the business. This includes whether he or she can run the organization, feels up to the job, and has sufficient intelligence and an effective network.

In the nonprofit context, Dale said there are many people, who come to the organization because of the mission and desire to help others. These individuals have a social work perspective. He said many of these individuals are not as skilled or as appreciative of the complex business structure involved. According to Dale, being a nonprofit is not a specific business model, it is actually a tax status; hence, some individuals would not have a respect or an appreciation for anything that was not strictly mission related. Consequently, in the past, some CEOs of nonprofits were not adept at running the entire organization. As a result, some nonprofit boards tried to hire an executive from the private sector, which implied that the nonprofit should run like a business, although many people in the organization had a social worker mindset. Dale said,

I have seen that fail several times because it is not less work, it is not less complicated, and it becomes more complex because the metrics are broader. It is not just how much money you made last year or the shareholder value, the metrics are much harder to understand, difficult to quantify, and therefore people who come from the perspective that he or she is simply going to run a nonprofit like a business, do not understand that the organization is much more complicated. Additionally, the person has to work in an environment where business acumen may not be as inculcated in the culture. So, the dilemma remains, how does an individual bring business practices to a culture that is not used to them?
Regardless of the issues and challenges, Dale stated,

The CEO needs to be a business person because those skills are easily translatable in the nonprofit sector and much needed. The leader must also be visionary and be dedicated to human services and to the poor, especially since the organization is trying to solve poverty and create opportunity for others.

The leader has to let those, who focus most on mission, know that he or she really believes in the mission in an authentic way. As a result, he or she wants to provide to them the vision, the strategy, the resources, and the team to ensure delivery on that mission. Dale articulated that the individuals have to appreciate this direction and realize that change does not happen overnight. The CEO has to prove and demonstrate that unless these essential elements occur, the organization is not going to be successful long-term. Then, the CEO needs to have an astute team of finance, IT, and HR people who have a high enough emotional intelligence about how to work with more strictly mission oriented people and make sure these individuals are kept in balance. This requires constant communication of the vision and calibration of the initiatives to ensure the organization is going to be successful.

Dale articulated that in a nonprofit, every employee has to wear four hats, even if one of them is going to be a little taller on one’s head. First, everyone has to believe in the direct client service mission and know that it is the primary purpose of the organization. Everybody in the organization is also part social worker, which each employee has to appreciate. Second, everyone has to recognize that the nonprofit is a large, complex, and highly regulated entity. Consequently, the organization has to have very good business practices. Third, the nonprofit relies significantly on community partnerships, donors, and outside organizations, so each individual is an ambassador and fundraiser for the organization at all times. Fourth, the key to nonprofit work is being present in the
community, before the legislature, and other forums advocating on behalf of the clients, the
mission and social justice in general. Every employee is part advocate. Dale said,

These are the four major functions of this agency—direct service, smart business,
being an advocate, and a fundraising ambassador on behalf of the organization. All
of us are all of those, although if the individual is in a particular area, they wear that
hat higher, but you have to appreciate all of those hats.

According to Dale, the four major functions are equal to him, although at a certain time he
has to emphasize one or the other depending on the current need of the organization.

Dale aspired to the CEO role and to being a leader, so he became a student of the
role. He was a lawyer and consultant to many nonprofit executives and observed the CEOs’
leadership styles and skills. Dale learned good qualities and not so good behaviors. He
then figured out how he would lead if given the opportunity. This included how he would
model the proper behavior. Dale said, “Quite frankly, I practiced it as being part of a
nonprofit board or other instances—so that I was prepared when an opportunity arose.”
Additionally, while he was observing, Dale read extensively over broad subject matter—
executive leadership books. He said,

Now, I’m reading Thomas Piketty’s book on capital in the 21st century. The CEO
should study what is going on in our economy and our society—so a leader should
be a broad reader. I consider it part of my job to read the newspapers every day,
bring reading home at night, and have a sense of what is happening in the world.

According to Dale, he is visible in the community, not just in his nonprofit
community, but also very active in civic and business and various organizations to learn
and stay abreast of what is going on. Given Dale’s various backgrounds in business, law,
and government, he is committed to staying abreast of what these communities are doing
on a regular basis. Dale stated the CEO has to make a concerted effort to continuously learn
and be intellectually curious, recognizing that he or she does not know it all. Also, the CEO needs to make sure he or she has a team that can do much of the day-to-day operations so the leader can be out listening and conversing in the community. Dale revealed he does not want to lose touch, so he must be in the community to learn and grow and to bring that information to others in the organization. Dale said,

I share with my team what I have learned from these business people and what business people are willing to do to help the nonprofit. This is a process of constantly breathing in fresh air to shape and build the organization.

Dale acknowledged that he is in the latter half of his career; therefore, he has a fear of not completing his vision for the organization. This is not fear in the traditional sense of the word, but it is a firm belief and passion in the work, and an urgency to solve poverty and create opportunities. This is a race without a finish line, and he knows what the nonprofit is capable of achieving and what the organization can do to address poverty in the community. He does not have a fear, but he has a passion to work toward making it happen. He said that even on a bad day, the nonprofit is getting good work done. Dale stated, “If the nonprofit does its work well, the organization can garner the coalition and support for a deeper impact and systems change. So let us be bold, not reckless.”

Diane surmised that the CEO needs to be strategic and bold. The CEO has to have a really strong sense of purpose, coupled with the ability to be a good salesperson. The person cannot hate asking for money. This does not mean that the CEO is necessarily brash, but he or she has to be bold and help tap into the connection of people and channel their resources toward what the organization can do to solve poverty.

According to Dave, the number one quality necessary is someone who has a vision for where the organization is going, is able to articulate that vision, and then turn it over to
the program experts. Then, follow through with oversight to make certain that vision is being translated into reality; this consistency of message and delivery is important.

**Balanced scorecard principles with redefining socially accepted financial measures for society to understand the nonprofit sector.** According to Dale, the CEO has to work really hard and stay on top of things at a sufficient level to add value. There is no substitute for hard work, so when the leader is learning about the finances of an organization, he or she must have enough financial sophistication to ask the right questions and hold people accountable. Dale said,

> Leaders need to demonstrate a basic level of competency in human resources, in finance, in IT, and in the direct service programs. Now, coincidentally, the leader is going to develop special skills and have a higher degree of competency than most, but they must also have enough generalist skills to be successful at holding it all together.

Dale stated that there are instances where a person becomes a CEO or executive director and does not understand the balanced scorecard perspective. He or she will have a high degree of competency in one area and emphasize that, but then allow him- or herself and the rest of the organization to ignore the other necessary competencies that are imperative for a strong organization. This is particularly mandatory for a large and complex nonprofit; otherwise, those functions will not be supported. According to Dale, the organization cannot succeed unless the CEO understands that he or she needs to have strong business practices, a resolute sense of direct service mission, and a strategy for organizational sustainability, including finance and human talent. Dale said, “The CEO must comprehend all the facets of running a business enough to be effective; not that the person has to be an expert in all facets of the organization, but understands that balance.”
The metrics for the nonprofit are associated with the balanced scorecard, which focuses on the customer perspective, organizational sustainability, finances, and fundraising. The balanced scorecard also includes the nonprofit’s business processes and human capital. The measures are designed to advance the mission and various other initiatives. According to Dale,

Measuring success is how we present ourselves to the community and getting the community to have deeper, more profound, and more impactful discussions about issues of poverty, race, and inequality; and then actually being prepared to do something about it. Measuring success is being successful in comforting the afflicted and afflicting the comfortable to bring about change.

ROI is demonstrated in many of the nonprofit programs that have actual quantifiable evidence regarding public costs avoidance based on program investments. Dale gave an example of a housing residence turned into health-supported housing. When a person is being released from the hospital, but does not have a stable housing situation to turn to or has an undetermined destination, the individual will be transported to the nonprofit. The cost for a person to stay at the health-supported facility, with a nurse on staff, is about $60/night. In addition, the nonprofit will work with the individual on a housing plan, which includes finding a successful place for the person to transition to rather than a shelter or, worse yet, on the streets in some vulnerable situation. According to Dale, the individual would be back in the hospital at the cost of about $2,000-$4,000/night if the nonprofit were not available to provide assistance. He said,

The organization has been able to demonstrate the savings in the first 6 months of the program. This has avoided public costs of nearly a half-million dollars from one local hospital. The nonprofit can also demonstrate ROI in other various programs.

According to Diane, “We are in the process of disseminating our own balanced scorecard to measure success in the organization. The nonprofit has measured
sustainability from a financial perspective, which is the easiest to figure out.” This is achievable by assessing whether the organization has more revenue than budget, fewer expenses than anticipated, contributions larger than planned, and then growth in net assets. Diane explained that articulating what success means from the perspective of direct service customers is much more difficult, but this information is far more relevant and impactful. Consequently, finance acumen is incredibly important to have as a nonprofit leader. She said,

I am learning that this organization has very few people who understand the difference between finance and accounting. Some individuals think about adding up the widgets, how much something costs, how the costs are increasing, and how the costs get paid. Unfortunately, some of these individuals do not think about cost, value, revenue generation, entrepreneurial possibilities, short-term/long-term financial management, or financial goals.

The organization has made some shifts in the last few years that have beefed up the financial and analytical capacity, which are critical for continued success.

**Passion for the environment with rock bottom integrity.** The leader has to have a passion for the mission of the organization. When Dale considers hiring anyone, he takes the individual through one of the nonprofit facilities to meet the clients and staff. Dale described, first, that the individual has to understand the environment and have a passion for the mission. Second, the person needs to have a strong work ethic and competence, and then third, a sense of team importance. Dale said, “This is what it is about. They are not going to be lone wolves. The organization is not about them and their silo because this is a collaborative environment. Rock bottom, this about integrity.”

When Dale interviews an executive candidate, his most important question is, “Can you share with me a time when standing for the truth actually hurt you, maybe damaged your career, your finances, or your personal life?” Dale said, “When have you stood for
something that you believed in because it was the right thing and it hurt you. Then you have lived rock bottom integrity.” According to Dale, if an individual cannot tell him about a time, particularly if the person was about to be an executive in the organization, and that still has not happened to him or her, the individual either has been living an idyllic life or the person does not have integrity. Regardless, the individual is not ready or qualified to be a nonprofit executive.

As a final part of the interviewing process, the organization uses assessments. Dale specified this is before an offer is made and finalized. The nonprofit uses an industrial psychologist to go through an assessment process, which is informative but not dispositive.

Diane was hired less than a year ago, and she said there were three things required by Dale relative to her selection. First, Dale’s own comfort level in bringing in someone he could work with, not necessarily someone who would align with him but someone who would be able to work well, speak clearly, challenge, understand, provide input, and take direction. She needed to be able to really work with him collaboratively, as executives in a large complex organization. He needed to see that she could be a part of a team of professionals, carry her load, but able to challenge others and work responsibly with him to achieve the big picture. Dale interviewed her many times, and she interviewed with many people in the organization and on the board. Diane said, “This interview process allowed Dale to affirm his thoughts and perspectives about my abilities through feedback from others.”

Second, there were many assessments that took many hours besides a full day of testing. These were online assessments, personality inventories, Myers-Briggs, FIRO-B, and others. There was an in-person interview with a consultant who had been hired to do the
industrial psychology assessment. This included many conversations about her past and future. Also, there were some tests to demonstrate her intellectual abilities, which included vocabulary, math skills, her approach to managing tasks, and how and where she would delegate different tasks. Diane said, “The assessments felt pretty intense. Especially when the inbox exercise was paper and pencil, I thought we had gotten past that.”

According to Dave, selecting an executive has a gut feel, an instinct, and a sense of strong ethics, so he will ask questions designed to talk about ethics. Dave said, “I want to know what ethical challenges were faced by the perspective leader in her or his life and how the individual resolved these issues.” This is to ensure that the individual’s personal ethics are in compliance with the organization’s principles, and what steps the person would take in certain situations. How would the person know whether he or she does or does not have an ethical finance manager who may be accepting the checks, but has also decided to endorse some at the bank for his or her own needs? Dave disclosed that his previous nonprofit board position had this problem, and luckily the person was discovered by one of the organization’s annual audits, but it was after 3 or 4 years of this activity. The kind of work necessary to determine how much the agency had lost was tedious and laborious, although the person actually went to jail as a result of the process. Dave said, “I want to ensure that the leader has internal controls in place and understands the importance this plays in the success of the organization.” The organization is going to be forced to make many compromises and somebody has to look at all those controls and have enough interest and an ethical compass strong enough to guide the organization. Dave said, ”Basically, I want to know where the ethics and compliance level are in a prospective
executive candidate, and how it fits in with their experience base as well as resulting goals and vision."

**Founder and CEO turnover are opportunities to move the organization forward.** Dale said,

I am the public face of the nonprofit, so I am a large component of the brand recognition. However, I also understand this is a 145 year-old agency that has a strong tradition, so I have the good fortune during this time to be a primary representative of the brand.

There are many people who formed this brand on whose shoulders he stands. His role at the nonprofit is to maintain, enhance, and build a deep foundation so that whoever comes next has strong shoulders upon which to stand as well.

According to Dale, many nonprofits are formed by very energetic and young social entrepreneurs. These individuals advance the organization to a certain point and then he or she realizes this is no longer a small entrepreneurial organization. This is now a large organization and the leader needs to make the switch to let go. Part of what the leader should be doing is building the broad shoulders on which someone in the future will stand, but not many of these social entrepreneurs can make that switch. In general, the founding nonprofit leader starts out and then the organization starts to grow and gets to a point where the individual has to add a more structure in terms of hiring people. Dale explained that the founding nonprofit leader begins to think all of the fun and excitement is gone. The founder has to go through what he or she perceives as bureaucracy. Dale said, “The founder will say, ‘Now wait a minute, I am used to just shooting from the hip and gun slingling to get things done. I was successful, why do I have to change?’” Consequently, probably someone else should take over the leadership to move the organization to the next level after a certain period of time.
Many organizations get to this point where there is that struggle, where the founder tries to hold on, and often the board is too loyal to that founder and the cohesive business starts to fall apart. Dale said, “Often what happens is that, eventually, a board wakes up and recognizes that although this is a hard process, they can be thankful for the past, but they must let go for the future.” There are plenty of models where a new person will come in, and that individual has to move the organization beyond the founder. According to Dale, “There is a lot of resistance, where people say, ‘We did it this way, and he or she was an iconic founder and now you are trying to change things.’” Frequently the new CEO is only there for a limited period of time but facilitates the new organizational structure. Typically, this new CEO has a tenure of 1 to 3 years, but hopefully the nonprofit can then start growing. Dale said,

This was my experience in New York. I knew when I did the research that I was going to take over for a founder in New York City. After getting to know the board and the organization, I had a strong suspicion that my role was not going to be long-term but a limited term. I was going to go in and have to break a little glass to move the organization to the next level and then make sure that it was positioned to hire the next CEO for the long-term role. This is exactly how it turned out.

A founder or CEO should be gone before someone informs the person he or she is done. Consequently, Dale articulated a founder or CEO should not be in the role for more than 10 years because things start to ossify. This could be longer depending on the person and the organization, but it could also be shorter. Dale said, “At 10 years, all the new energy and solutions that the individual brought, as much as a person tries to keep them fresh, they start to create their own set of problems.”

Dale commented that all of his predecessors were members of the clergy and he is the first secular CEO to lead the faith-based nonprofit. He could see in the future the head of the nonprofit being someone that is not of, or even affiliated with, the theology of the
organization. He articulated what the nonprofit needs, and what the community needs from the organization and from the CEO, is an appreciation of the rich tradition of the faith-based social thought and teaching, which is not something one can just acquire from being a part of the belief. Dale said, “In fact, there are many nonfaith-based people who have a better appreciation and understanding of the faith’s social teaching than many of the church do.” He has always thought the nonprofit needs to maintain its identity through its identification with the faith-based social teaching, but it does not always need to be maintained through the faith-based denomination. The first time that happens will be quite profound, but that it is a natural progression. Dale explained that it might be someone who went to the faith-based high school or college who can articulate some affinity but is not of the same denominational doctrine. Most importantly, the person can successfully lead the nonprofit.

Although Diane acknowledged she does not know if the governing organization is quite ready for someone who is not of the faith by tradition or practice, she stated that the leader does not have to be of the faith. She said the organization is quite accepting of various denominations, both in terms of the people who work for the organization, as well as the people the nonprofit serves. However, it is pretty grounded in the values of faith-based social teaching and beliefs that the nonprofit has about people. Diane said, “The CEO must have the ability to connect with a broad range of people of various beliefs.”

According to Dave, the next CEO does not need to be of the denomination or affiliated with the organization to be successful. The nonprofit has board members who are not of the faith, so of course the nonprofit could have a CEO who is different as well.
Dave said, “As long as the CEO can accept and support the faith-based social teaching, then everything will work out fine.”

**Summary of My Thoughts About Case 4**

As I reflected on the case, one of the main attributes for running the organization is integrity, which is the core and foundation of this nonprofit. The attributes necessary for leadership that came through in the case were reminiscent of the five practices of exemplary leadership in the book *The Leadership Challenge* by James Kouzes and Barry Posner (2007): model the way, inspire a shared vision, challenge the process, enable others to act, and encourage the heart.

The CEO had a voracious appetite for information and a myriad of ways to gather it. This included reading broadly and extensive community engagement. The process of continuous learning has been effective to remain current and knowledgeable about the community.

The explanation of the four hats, mission appreciation, smart business practices, fundraiser ambassador, and community advocacy provides a good framework for thinking through the responsibilities and expectations for the individuals in the nonprofit sector. This also reinforced the team-oriented environment that the nonprofit is in the process of trying to create in the organization. Additionally, the process of observing, reading, and practicing good leadership qualities have been effective for building trust amongst the CEO’s colleagues and followers.

The participants articulated a clear mission and vision, including how the nonprofit determines whether the organization is making a difference. This included using a balanced scorecard and calculating ROI for many of the services. Additionally, the
participants understood that critical thinking is a prerequisite for aligning resources and ultimately motivating and inspiring people.

The short tenure of the CEO after replacing a founder was an interesting phenomenon, but this made sense given that the amount of change that may have been needed. Although there is literature on this topic, according to a participant, this was an interesting proposition for the individual when he accepted the CEO position in New York City, realizing that the position was not going to be a long-term role.

Based on the interviews, culture and affiliation may not be required for leading the nonprofit in the future; however, learning the social teaching will continue to be absolutely necessary.

**Case 5**

**Place.** This large, Twin Cities-based nonprofit was founded over a century ago and began as many organizations like this do, with a passion to help others who are less fortunate and a need so pervasive in the community that other people could not ignore it. A seed was planted by a family of businessmen to assist individuals in need and a call went out to partner with other successful entrepreneurs to address the misfortune of others. These leaders began to dedicate time and resources to philanthropic causes and set about building homes and charitable organizations to provide care for the ill, hospitals for patients, and housing and shelter for homeless families and orphaned children.

In the 1940s, the organization targeted children of mothers who went to work during World War II. Approximately two decades later, the nonprofit responded to changing demographics by serving communities of low-income individuals. In the mid-2000s, the organization decided to focus on 10 areas to better track the impact of the
investments. Today, the organization’s focus is on serving people in the Twin Cities. The nonprofit has continually changed to meet the needs of the community.

The nonprofit’s efforts cover a magnitude of services, but the focus and delivery have progressively adapted to the changing societal needs, which includes healthy living and empowerment of families and children. This focus has also helped the fundraising campaigns that are necessary to make a difference. The expansive nonprofit is also engaging and inspiring the younger generation to serve as volunteers, and is forging stronger connections with donors to ensure the relationships are maintained with the organization.

The large and still growing nonprofit continues to be steered by some of the top business and community leaders in the area. The mission of the nonprofit is relatively the same, but the strategy and focus are forever changing.

**Interview space.** I met with the CEO in her office at the nonprofit’s main office, which is located in Minneapolis. The CEO’s office was functional and relatively smaller than the offices of other nonprofit CEOs I had visited. The office furniture was practical for a social-service organization, neither fancy nor extravagant. These observations gave me the impression that many meetings and conversations were one-on-one or with small groups, and perhaps most appointments were off-site. There was a small conference room table in the corner of her office, and this is where the interview took place.

**The Participants**

**Erin, the CEO.** Erin was a female in her early-to-mid 50s who began her affiliation with not-for-profit work in 1998. She had 11 years of nonprofit experience, and approximately 5 years with the current social-services provider. Her education
background included a bachelor of business management and a master of business administration from one of the top business schools in the country.

During her career, Erin also worked for 12 years in the for-profit industry at a large multinational manufacturer and marketer of branded consumer-foods company. She held a leadership role with the organization. Erin has three children, and one child has significant disabilities. As a result, Erin decided to leave the consumer-food company to ensure she had more flexibility in her life. During this period, Erin was also doing freelance work, she taught at a local university, did a lot of not-for-profit work, and contracted for a variety of consulting projects; however, this teaching and consulting work allowed Erin to be home by 4:00 pm every day, which was very important to her at the time.

As a parent, Erin was very interested in and passionate about both education and early childhood development. She also had an interest in nonprofit leadership. After 5 years of teaching and consulting, Erin saw a nonprofit CEO position on a Web site. Erin recalled,

This was one of those wonderful opportunities where I thought, “I could do this job. I really want this job, but the nonprofit could never give it to me”—because they were going to want to hire some important nonprofit person, whatever that meant.

Despite these concerns, Erin decided to apply for the job and bring a lot of energy to the interview process. She did not feel the pressure of having high expectations. When the nonprofit offered her the job, Erin exclaimed, “Really? Wow, this is great!” What Erin brought to the position was business experience, corporate relationships, proven fundraising ability, and a deep understanding of the local not-for-profit community.

After 6 years of serving as the nonprofit CEO, she was contacted and hired at the current, much larger nonprofit. At the time, she did not know that the local nonprofit was
the second largest in the system. Although Erin did not understand the nonprofit’s specific community focus or the national structure, the board recognized that she could later learn and assimilate that information.

According to Erin, her predecessors have all been people specific to the nonprofit and affiliated with the nonprofit’s system nationally. The individuals would move around the system to gain experience prior to becoming the CEO. When Erin was hired, but before her official start date, her predecessor called and said, “This is such a coincidence. The corporate executive director of this nonprofit’s system worldwide is going to be in town in two weeks, can you meet with him?” Erin was excited and replied, “Oh, that is so nice and this will be really fun.”

Erin shared that she had only met her predecessor twice before the job was offered. Unbeknownst to Erin, the corporate executive director did not understand why a current executive in the system was not hired for the position. He basically said, “How the hell did the local nonprofit hire this person nobody knows?” When Erin and the corporate executive director met, the two of them actually had a very thoughtful conversation. According to Erin, what the corporate executive director later shared with her was that suddenly he realized the paradigm was shifting and there would be more hires for local CEOs who did not grow up in the system. He surmised, “More of our big communities are going to hire local leaders who will then learn the system. The local contacts and the credibility in the community is what really matters, it is number one.”

Erin stated that local nonprofits will specifically go through this shift because the organization raises so much of the funding from the business world. As a result, future
CEOs of this nonprofit are more likely to have her education and experience profile than a community impact person or a life-long professional in this nonprofit system.

**Erica, the executive team member.** Erica, Senior Vice President of Major Gifts, was a female in her mid-to-late 50s who had been with the organization for 10 years. Prior to working for the nonprofit, she worked for a community foundation in St. Paul. Erica began her career as a high-school English teacher, so, to her, teaching is first and foremost with helping children grow and develop. She had also worked at a large, for-profit consulting firm for leadership and talent development before working for another midsized nonprofit organization. She learned about mobilizing volunteers and using her strengths in developing people to make a bigger difference in the community. Erica believes that developing others is a theme that runs through her entire career and is at the core of her being. She said, “What I do is helping people to bloom and grow.”

**Ed, the board member.** Ed was male who was an executive at a medical technology company in Minneapolis and has been a board member since 2012. In his board capacity, he served on the finance and human capital committee, and served on the executive committee at the time of the interview. This nonprofit was his first foray into board service. Prior to becoming a director, Ed had many years of leadership experience within different organizations where he was responsible for supporting internal fundraising campaigns for nonprofits. This is where he grew fond of nonprofit work. Ed said the mission of nonprofits and the great work these organizations do in our community are very important. When the opportunity was presented to join the board of directors, Ed concluded, “This nonprofit was a natural fit and transition because I had a desire to help others.”
Analysis

Based on the interviews with Erin, Erica and Ed, four themes emerged regarding what skills and competencies executives of nonprofits need to succeed. The four themes are: a) mission and passion are essential; b) addressing work complexity requires cooperation and engagement; c) redefining socially accepted financial measures of success by money raised and people served; and d) intellectual and emotional intelligence with business experience.

**Mission and passion are essential.** According to Erin,

My analogy on this is venture capital. Venture capitalists, the people with the money, evaluate two things—the concept and the leadership. Then, they do a million analytical things, but really any positive decision about providing venture capital comes back to the leader and the idea. Therefore, my ability and willingness to be with people, to be a public figure, to talk about our work in lots of different ways in lots of different settings is really important.

Erin said,

My frame of reference is that most nonprofits have more stakeholders who are close to and passionate about the work of the organization. These stakeholders are often more visible and have more access to me than to a multinational for-profit CEO. The investment someone makes by donating $500 to an organization feels very different to them than buying a Snickers bar. A person can be very disappointed with a Snickers bar or even a $200 blouse, but they are not going to be as disappointed, as excited, or as vocal with their peer group or back to the organization as someone might be and, frankly, as we want someone to be with us.

The organization is both raising money and giving money away; therefore, the nonprofit has a lot of passion among our partner agencies and we make very difficult decisions, mostly by saying no to people. All of our grant rounds are fully oversubscribed. So, this is a very tricky line to walk.

Erica would consider the nonprofit to be a great organization. Stronger leaders make it easier to attract talent and investment. She said first and foremost people serve and give because of passion for the mission, but an individual will often invest more and will stay a loyal employee or donor because of the relationship with the CEO. Conversely, if
the CEO does not connect well with employees and donors, it has a huge impact on the viability of the mission and the organization.

Ed articulated that the CEO plays an important part in communicating the message by both inspiring employees of the organization and then inspiring potential donors by building, nurturing, and cultivating those relationships. The CEO plays a critical role and in many ways serves as the face of the organization. The broader mission is best served by assuring that the programs and the great work that is being done are somehow the things that are creatively wrapped around and become what others would consider the brand of the organization.

**Addressing work complexity requires cooperation and engagement.** Erica said the leader needs to be pretty savvy in finance because of the nature of the way the organization raises money. The nonprofit raises money throughout the year, but does not know what the budget is or how the funds will be allocated until the end of that year. The nonprofit runs a fundraising campaign but does not have day-to-day information. In most businesses, the organization knows where the numbers are at any point in time. The fundraising campaign is in the fall, but the organization does not receive any of the donor detail until the first quarter of the year. Erica explained, “There is this lag time and inability to monitor and make adjustments along the way, which creates more complexity for the organization.”

Erin said, “I am comfortable with complexity. I am able to translate or to build a bridge between the people who work on these very complex issues to people who care about the issues, but do not understand.” She is very proactive about being a bridge among different concepts and different people who view issues very differently. Erin said,
We have very strong points of view about what is quality out-of-school time based on national research and our mission, which is to serve people living at 200% of poverty and below. So the complexity actually starts with our community investment strategy—what is the best out-of-school time programming, and where do we want to put these precious dollars? Match that against a legacy relationship with a strong vocal board. I have a big facilitation role with the board and my community impact team to make the best decisions possible. In out-of-school time, we have coalitions of people and providers meeting and learning about how to do the best out-of-school time programs. So the complexity comes from balancing the competing priorities with the strength of being a 100 year-old organization. The nonprofit must always stay true to our community investment strategy, our commitment to quality, and our commitment to support donor’s intentions and wishes.

According to Erica, “The business is more complicated as donors shift from what I would call one person, to many people and agencies. These individuals are becoming louder voices, and this affects how and to whom people donate money.” The individual wants to donate directly to the recipients or agencies and view immediate results; hence, the organization has to demonstrate to the donor how the nonprofit will steward the resources through technology, finance, and communications. Fortunately, the nonprofit has an existential role in matching donors to their passion in education and human services in the Twin Cities; however, the nonprofit is seeing more activist donors, where people are very specific with what he or she wants to happen. According to Erica, the donor will say, “Here is my donation and I want it to go right here.” This affects the organization as well as the people who are being served. Erica disclosed that this request takes more time to execute, which means this level of specificity is more expensive from a headcount standpoint. Consequently, she said, “You need a very strong, clear vision for your community investment work that you have to stick to, and your board has to support this direction, because otherwise you are just running after money versus doing community investment.” The CEO needs to be willing to say no or “how about this?” Traditionally, in
the nonprofit world, Erica articulated that people have not been willing to say no and they have conversely been much more willing to chase the money.

According to Erica, the CEO must be well-read. The nonprofit is moving from understanding the needs of the company to knowing their business, strategies, and social-responsibility goals. This includes knowing how the company wants to engage volunteers to attract and retain young individuals. This is a more sophisticated world than getting out there to do good things for society and have people give money to the nonprofit organizations. There is more complexity in the sector than existed 15 or 20 years ago.

Nonprofit leadership, at the executive level, will continue to evolve to have a mix of people with for-profit and nonprofit experience. Although this sector shifting is becoming more popular and serves both sectors well, this is primarily because of the competition for dollars and resources. Erica explained the organization is just getting into federal grants, which carries a huge compliance component. As a result, the executive role is expanding due to diversity and sophistication of revenues the organization receives. Additionally, the future CEO needs to come from outside of the organization to expand the donor base. It is not necessarily about getting more money from the current group of donors, but this individual would bring new donor relationships. These are relationships built at a higher level for obtaining larger donations, so the nonprofit exponentially increases the support base versus trying to grow the current base. Erica said,

We have about 120 volunteers that help us make those solicitations and build those relationships, but hiring a CEO from the outside would give us a lot of longitudinal networking connections to raise the larger dollars from a new donor base, which would be great.

Erica said the hardest component of the CEO transfer from a for-profit to a nonprofit is the difference between running a company where you have a lot of leeway and having to
manage a business through volunteers to get anything and everything done, so people who come from the corporate or public sector world are always surprised by the magnitude of the complexity.

**Redefining socially accepted financial measures of success by money raised and people served.** Erin defined success as satisfying and fully engaging all stakeholders. She said that this perspective encircles raising the money that the organization needs from the investors. In turn, the donors feel very satisfied that the money is being put to good use and, in response, people can see where that money is being used and therefore feel connected to the donation. Success is determined by whether the nonprofit is actually making a difference in the community. This dichotomy includes the people who are serving the nonprofit and the individuals receiving services through the partner agencies. Basically, the people feel supported and connected to the organization, which enables good and meaningful work that really makes a difference for others.

According to Erica, success is measured in two different areas. The first area is the organization’s ability to make an impact in the community and whether the nonprofit is moving the needle on matters that have been declared important. Erica said, “Any time the organization can take someone out of poverty, or, as with early childhood learning to let kids know there is a path to take through high school, then that would be a measurement of success.” The organization continually measures whether people are moving from poverty into stabilization. This includes measuring whether the organizations that are receiving funding from the nonprofit are actually training and finding jobs for people, based upon a level of livable income. The second area is the organization’s fundraising ability. She said “There is a whole bunch of success measures around revenue generation, retention of
donors and engagement of donors.” These are the fundamentals of measuring success for the nonprofit.

Ed said measuring successes are wrapped around the mission, which is how the organization is best impacting the broader Twin Cities community. According to Ed, how are we providing pathways out of poverty for the families that we are serving? How many kids are benefiting from access to educational opportunities that perhaps they would not have had, but for our support of programs that are providing those opportunities? Also, the fundraising effort is huge. How are we doing from a fundraising standpoint year after year based on what we know about the environment?

The macro-trends are important since much of the monetary revenue is received from corporate partners; hence, the organization measures success on how the nonprofit is faring on developing those relationships. Ed revealed that he looks to the CEO to help shape and guide the organization to ensure that the nonprofit is in a good place. These efforts include financial stewardship, which is tied to cultivating strong donor relationships.

Ed articulated that ROI is another way to measure success. This requires the CEO to think broadly around this notion of community impact and acknowledging the value, which does not easily add up on the spreadsheet. Ed stated,

I am not saying that we need to move away from measuring hard outcomes, things that can be easily measured, but embracing the fact that there is an awful lot of value that a nonprofit brings to the table and offers to our community that you cannot put on a balance sheet or thermometer chart at the end of the year. The nonprofit must continue to measure impact and figure out quantifiable ways the community is actually improving and advancing beyond the very discreet things that can be easily summed up on a spreadsheet.

**Intellectual and emotional intelligence with business experience.** According to Erin, the organization does not use assessment instruments or companies to screen candidates. She looks at the academic pedigree, which is not a perfect science or a
necessity. She reviews the individual’s track record and talks to the person extensively about his or her approach to solving problems. The objective is to determine how broadly the individual thinks in defining a problem and the subsequent solution. Erin said this discussion includes many hypothetical situations. Following the problem-solving exercises, the person goes through a panel interview, which Erin brought to the organization for selecting executives. Her number one goal in a hire is to ensure the person is going to be successful in the organization, and panel interviews are helpful when hiring an executive team member. The individual needs to get to know the organization and the team needs to get to know the person. Generally, the process is better when the leadership team provides input. Erin said, “I establish up front that input is welcome and expected, but ultimately I am making the decision.” Erin shared that “initially people always panic about me making the hire decision, although this process is not that complicated.” Subsequently, the team realizes that, of course, the CEO will make the decisions.

According to Ed, the nonprofit should engage a search firm that has experience filling CEO positions for nonprofit organizations; however, Ed said, “Passion is the price of admission to be the CEO of a nonprofit. He would not allow the person to sit in that chair if the individual did not have passion and belief in the mission of the organization.” He personally thinks about core values within the nonprofit. Many organizations feel really good about having integrity as a core value, which is very important; however, Ed said, “I want to understand and talk about ideas and accomplishments that really make a difference in how the work is done and business is conducted with integrity.” Essentially, he would engage in conversation with the candidate about the mission and key achievements while demonstrating integrity. Ed stated that assessment tools should be a
part of the process, but used more on the tail end as a confirmatory step, to ensure that the identified lead candidate has the requisite soft skills.

Erin stated that a leader needs a base set of skills—intellectual and emotional intelligence. The person needs to have the drive and the determination, and then he or she has to get lucky. This is a combination of innate skills, learned skills, and good fortune. She is a good listener and flexible. The flexibility has served her well in wearing many different hats. Erin said, “I am good at building relationships, a good communicator, and I have good business chops.” An individual cannot go to one of the top business schools in the country, work at a large multinational manufacturer, and be a marketer of branded consumer foods without a very well-developed set of business skills. Erin said, “I am a life-long learner that loves learning, education and working on human service issues.”

Erin shared that the CEO needs to have strong relationship-building skills and strong governance abilities. She said, “I used to really hate the word vision but I really think a nonprofit leader also needs to have a vision and a passion for the work of the organization.” A CEO with vision, passion, business acumen, and relational skills is critical and it is even better if he or she is a good public speaker. She said there is an entire communication and public speaking part that is required of the CEO to articulate the vision to both the organization and the community. The leader needs intelligence, decision-making, team building, and communication skills, and also some financial chops because the individual is too vulnerable if he or she does not. Most CEOs of nonprofits are not running the operating functions, but the individual is part of that fundraising initiative associated with the functions and programs. Erin stated the person needs to be able to raise funds in a way that works for the particular nonprofit.
According to Erin, this is her best, most wonderful example of relationship management.

A very wealthy hedge fund guy found the nonprofit on the Internet—I mean, literally, he is like this wonderful mad professor. He sent us an e-mail that somehow we were smart enough to respond to and then engage him. He said, “I want to help kids graduate from high school.” This was at the height of the recession, and he said, “I want my contribution to be anonymous.” We said, “Great, the way you help kids graduate from high school is by investing in early childhood education.” He replied that, although the country is in the middle of a recession, “I do not like funding annual fund operating stuff, so please give me a special program that has the most urgent needs right now.” We answered that the organization has a need in the food-supply area. He gave the nonprofit $500,000 a year for 2 years to do specific food stuff; not our regular program, but specific food stuff that really reinforced our strategies. Then, he gave the nonprofit $1.5 million to apply to early childhood stuff. This hedge fund guy was at a point in his career where he really wanted to give back, and he cares deeply about social issues.

According to Erin, there is another person that is mad at the nonprofit about a funding cut of a values-based youth development organization. The individual is not going to fund this nonprofit anymore because of the decision; however, Erin stays in touch with this person to let him know what is happening with the organization because the nonprofit needs friends as well as funders. Although this person is angry about the funding cut, the CEO’s job is to neutralize and minimize collateral damage. Erin said, “I would rather he gave us money, and also funded the values-based youth development organization, but we do not have to be all things to all people.”

Erin said she is a very privileged to have met and to have worked with hundreds of incredible leaders in the community. There was a man who was chair of the board and he was, according to Erin, really fun. She had breakfast with him a few days before the interview. He said, “You know, I just do not know if I want to fund the organization so much anymore although I love you as the CEO and I love the nonprofit.” Erin said he has a lot of money. As a result, she plainly responded to his statement, “Yes, you do want to keep
funding us.” She continued by sharing the positive ways in which his money is helping people in the community. Erin articulated that these conversations are so fascinating.

The other piece she learned very early on in fundraising was that the best all-time on-base hitter in baseball is Ted Williams.

His on-base percentage is like .395, although there is some debate: .395 or .397, so round up to .400. So, the best of all time on-base hitter made it on base 40% of the time; therefore, 60% of the time he did not. So, a CEO needs to understand in these fundraising relationships that he or she is not going to win all the time.

Erin said, “Most importantly, a decision on whether to fund the nonprofit is not necessarily personal and these are really fascinating people.” She believes this person will give the nonprofit money, and Erin likes to sort of nudge him to give more; however, she said that it is really important to understand that if he never funds the nonprofit again, he is still saying, “I loved being part of the organization.”

Erin articulated that a leader needs to set him- or herself up for that good fortune. This takes drive and ambition. Good executives can talk about their failures and what he or she has learned. This is about a leader finding a way to get up off the floor and keep going after being knocked down, which includes staying friends with people who are not giving the organization money—perhaps the person can assist in a different way.

According to Erica, the leader must have a short memory. Sometimes, when the CEO requests donations, people say no or the person hears no too many times; however, the individual has to somehow bounce back for the next event. Erica fondly calls this “ego-strength.” When a CEO gets rejected for a donation, and has a half-hour until the next meeting, the person needs to be ready and cannot allow the situation to affect him or her personally. This is the ability to put the rejection aside. Erica stated,
Ego-strength is simply how an individual is built. There are a lot of things that people learn or receive training for, but ego-strength is core to who a person is. This shows a good sense of self-esteem and recognizes that the mission is bigger than the individual. It is not a personal thing that defines you in the scope of the organization’s mission.

Ego-strength is having resiliency to not take things personally, and having a strong enough sense of self and self-esteem that rejection does not knock one out. One can rise above rejection and continue to move on to the next thing without being emotionally affected by the situation.

Erica explained that the CEO must have a clear vision of where he or she wants to go and why the destination is important for the organization. The great CEOs are innately visionary, with an effective way of articulating that message to other people; hence, there is not anyone who would not want to work for that leader. Erica said,

This organization is celebrating 100 years. Where are we going to be in the next 100 years? What will be the things that we are contending with? What’s the face of the community? Even in the last 10 years, the organization looks very different than the nonprofit did 10 years ago. The CEO needs to have a vision for what this community needs to look like, the health of the community, how do we transcend the current issues that we are dealing with? Nonprofits have always thought locally which is right, but when you look at the companies that we are dealing with or the individuals that we are serving? The walls are no longer local. These companies are not only international, they are also global. How do we position ourselves globally since that is where it is going?

The ability to understand this will help them to meet their own goals and objectives from the social responsibility side, the CEO has to understand their businesses. The nonprofit sector is not where it was 20 years ago when everyone was doing well financially. People expect a plan with clear ROI measures for their philanthropy donation. Erica articulated that, in the past, the CEO would have a social-services background, a strong volunteer mobilization capability, and a deep understanding of the community. Erica said that today’s CEO requires a really strong business background. The current CEO comes out of a
top business school and understands the financial side of the organization. She can talk the CEO language and articulate what is happening with the organization in business nomenclature.

Erica said the most important skill is building relationships. The ability to build trust and demonstrate a high level of competency in the workforce gives the leader the ability to maximize and utilize everyone’s strengths and talents in the areas that make the greatest difference. Erica articulated that Erin understands the role is all about relationship. She can connect the dots like a financial broker. The CEOs in the Twin Cities are well-connected, since many of these individuals are on the same downtown business group and boards. Erica said, “The CEO has to nurture these relationships and provide value while continually making new connections and networking.” She concluded with emotional intelligence is the number one ability the CEO must possess.

According to Erin, the nonprofit raises a bunch of money and then the organization invests the funds very smartly in the community. The nonprofit then builds big collaborations, not just grant allocations. The nonprofit is community building with these partnerships. Erin said she was hired to be very externally oriented and to build more of these partnerships.

Erin revealed that fundraising keeps her up at night and she is concerned over the messaging behind fundraising, coupled with the complexity of the work. The messaging behind the fundraising is really finding ways to effectively connect donor passion to the impact their gift is making in the community, since the more the nonprofit can do to demonstrate this alignment, the closer the donor is to understanding how their contribution truly is making a difference. Erin said her predecessor would have talked
80% of the time about how the nonprofit is doing the community-investment work, which was brought up to an excellent level; however, Erin has a different bundle of opportunities, which is donor connectedness and increasing donations to continue doing good work for the community through the nonprofit. Erin articulated that the nonprofit has a small staff, so helping to guide employees to work on the most important projects in the smartest way is critical, given the time demands from the various stakeholders. There are many opportunities in the nonprofit world, which seem good, although it is because of the urgent needs in the community. Erin said,

An individual cannot just say all needs are urgent because the person would have a nervous breakdown. The smartest way means that the organization has a good project plan with clearly defined outcomes, which will not get derailed by adding on more ideas.

According to Erin, "My strong belief is that you cannot be a senior leader in a nonprofit without being a fundraiser." She has heard so many business people say, “Well, no, no, no, I will do everything else, except be a fundraiser.” The nonprofit does not work that way because 100% of the organization’s revenues come from fundraising. Erin articulated that she has done fundraising on several nonprofit boards, which began by working on strategic planning projects that led to capital campaigns. Erin did not consider herself an expert, but development is a lot like marketing where she was a trained to sell a product. Therefore, her professional expertise reinforced some of the governance around fundraising for the organization.

As it relates to fundraising, Erin stated that the CEO needs to build a resilient team since occasionally donors are angry or disappointed with us. She said, “My team has great donor interaction, and we celebrate success. When a team member has a problem, we talk it through and role play. This is the same on the community side, if someone is going off
the rails.” She takes a team approach. Sometimes the team uses the good cop/bad cop scenario, which is a strategy she really enjoys. Erin is happy to be either, as long as people do not ask her to be both. The relationship management side of the organization’s work is really important, which is also a team approach. Erin said, “When somebody is off trying to solve a tough problem on their own, I say to them, ‘Do not do that’ and remind them of the importance of teamwork.”

Erica said that Erin is her strongest advocate. When she is up against a hurdle that is really high and when she occasionally feels battered, Erin is there to positively reinforce and pick her up and move her along. Erica believes the CEO needs to be available and “on” all the time. During the fundraising campaign, the CEO will have breakfast, lunch, cocktail reception, and dinner with one of the nonprofit’s community partners. In addition to the CEO meeting with donors and the board, the position requires lots of energy, and being an extrovert is helpful. Erica said, “The CEO needs to be authentic and genuine to be able to connect with people—not in a superficial way, but in a real way.” In added pressure and responsibility, the CEO needs to remember people and their names, things that are going on in the lives of the donors, and the CEO needs to be able to recall the last time he or she met with the individual and heard about special family occasions, such as a new child or grandchild. All of these touchpoints are significant for people to feel important.

According to Ed, the CEO must be a dynamic leader, good administrator, and have experience with diversifying the sources of revenue. The most important skill is to be an effective communicator because of the need to inspire, which is a really important piece. The CEO must be able to inspire people. The fundraising aspect of the job is undeniably critical, and the leader must be able to passionately tell a compelling story that connects
with people to be successful in the role. The CEO must inspire and work with partners, agencies, and potential donors, and the leader must also inspire employees because of the day-to-day work and responsibilities. The communication piece is being able to connect, reach and engage people wherever the individual happens to be mentally and physically.

Ed articulated that the CEO needs to be a great administrator, especially in today's world. While nonprofits do exist and can operate by and large differently than what one sees in most for-profit organizations, there is a definite trend in the nonprofit sector to adopt and to operate more like a for-profit institution or organization. Ed stated, “This includes clearly defined metrics and targeting funds in areas where the nonprofit has the greatest ROI opportunities, focused on the mission of the organization.” From his perspective, a good administrator can lead, raise, and run the organization.

The CEO needs to focus on specific competencies required for success in light of the changing macroenvironment. Ed said, “This is recognizing that the ability to get government support is only going to get tougher, and the ability to convince individuals to share their hard-earned treasures more freely is only going to get more difficult.” The CEO will need to be creative in locating avenues to reach and connect with donors. This includes the interplay and understanding of how to best leverage new technologies and how to increase the pool of potential donors rather than continually tapping into the same networks. Ed stated the individual should also understand that corporate funding support is decreasing and priorities seem to be shifting. Hence, the organization needs to be less reliant on corporate giving and tap more deeply into individual donors, outside of the corporate context. An individual could certainly make a case that the CEO should have
years of experience in a nonprofit, and fully understands the challenges that the sector faces. Ed said,

An individual having that perspective and experience would be incredibly valuable; however, there is value to having a leader who comes from a different world and environment, such as a for-profit company, since the individual can always learn what is needed from a nonprofit organization standpoint. Additionally, the person may bring certain leadership skills and experience that might also be very valuable to the organization.

Erin said the organization’s board is large—55 people; therefore, managing board governance is an essential skill and a more complicated proposition in a nonprofit than in a for-profit by a very significant degree. The directors have term limits, but are also funders to the nonprofit. Since nonprofits are smaller, this takes a bigger percentage of the CEO’s time. Erin said,

A board can be the CEO’s best friend or it can really wreck an organization. The CEO needs to spend time and lead the board, so the board does not end up leading the CEO. Boards can either overreach or they are under involved. The CEO has to guide them to the right place, and, at times, be very firm and yet congenial.

According to Erin, Jim Collins (2005), the author of the book Good to Great for the Social Sector has been very helpful to the nonprofit sector. She said he was the first one to really bring forward the difference in the power structure that a nonprofit leader versus the for-profit leader has to adopt. Jim Collins called it the legislative leadership versus the hierarchical leadership. A nonprofit leader can embrace and manage according to that legislative leadership. These stakeholders are our best friends because they are carrying the message forward, but they are also making our life more complicated and causing slower decision making; consequently, the legislative piece of leadership can be challenging if the leader does not understand and embrace it as strength.
Erica said the CEO has to like board governance, like policy, and doing all of the due diligence to have an organization run effectively and efficiently. The CEO needs to do the governance and the political maneuvering in a healthy structural way, and great organizations with really strong governance work well. Strong governance in a volunteer-driven organization requires understanding of how the organization needs to change to meet the evolving demands of the market and what to have in place in order to make a greater impact in the community.

Erica said the board has many corporate CEOs, agency partners, and labor representatives. This is a broad and diverse group of individuals. As the CEO, Erin has to understand how to manage those volunteers and the governing process. Basically, Erin has 55 different bosses, which is a little different than a corporation in terms of how one manages those relationships. These board members are requiring the organization to function like a for-profit company in terms of how the nonprofit finances are allocated or how the governance is managed or how the outcomes are measured. Erica said, “This includes ROI—are we getting a good return on our investments?”

According to Erica, the nature of the board chair gives the CEO a different boss every year with really varying personalities; consequently, the CEO has to have a little bit thicker skin because Erin just does not know who and what she is going to encounter every year. The CEO’s ego-strength has to be pretty strong. The CEO has 12 months to figure out that relationship, which can be good and bad. The CEO also has the challenge of continually trying to move the organization forward while in the midst of the cumbersome process that Erin has to go through to make changes in the organization. The board approval process begins with a thorough review from a committee, and then it goes to one of the board
committees for discussion and approval, and then it goes to the executive board to review, and then it finally gets stamped by the board. Erica said, “From my perspective, that is a lot of steps and waiting to be able to make a decision to move an organization along. This takes a lot of patience.”

**Summary of My Thoughts About Case 5**

Organizations that have been around for a century or more have at least one thing in common, which is the ability to change. This nonprofit has made the ability to continually change an integral part of the focus and strategies for the organization. Although the nonprofit has had many CEOs over the 100 years, and each of them has had a different vision for the organization during their tenure, the mission has remained relatively the same. Hence, the nonprofit leaders must have passion for the work of the organization and its mission.

Board members are requiring the organization to function like a for-profit company in terms of how the nonprofit finances are allocated and how the governance is managed and the outcomes are measured. The evolving needs of the community require the leader to have a deep understanding of the social services environment and the relationships with the various funding sources. This requires the leader to make decisions the “smart way” because the organization does not have an endless supply of resources to address all of the social services needs in the community. Unfortunately, these funding decision cuts and changes have made the CEO position more complex and challenging. Although these funding decisions may have strained some relationships, I found it really fascinating how the leader stayed in touch with those individuals who decided not to fund the organization,
which is difficult and uncomfortable, but necessary. The CEO must have incredible inner strength or “ego strength.”

**Cross-Case Analysis**

The purpose of the cross-case analysis was to fully understand and describe the phenomenon studied, as well as to identify themes across the cases. The process, I used to identify themes across all five cases, was to read, reread, and highlight topics and comments within each case that were similar. After I reread and highlighted information, I began to list each skill and each competency mentioned by participants in each case. I then followed with a check mark for each case the skill or competency was mentioned. In three or more cases, intellectual and emotional intelligence, relationship building, flexibility, motivation, and business acumen were identified as the necessary leadership skills and competencies for nonprofits (see Table 2).
Table 2

*Nonprofit Skills and Competencies*

<table>
<thead>
<tr>
<th>Skills &amp; Competencies</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
<th>Case 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship building</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Analytical</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business acumen</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Flexibility</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Motivation &amp; inspiration</td>
<td></td>
<td></td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Emotional intelligence</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Charisma</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptable</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resiliency</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Attention to detail</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Accountability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td>✔</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Critical thinking</td>
<td>✔</td>
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<tr>
<td>Cognitive</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Intelligence</td>
<td></td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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</table>
As I reflected on each of the cases, my research indicated that the leadership skills and competencies for nonprofit and for-profit executives are relatively the same. This was based on the verbatim comments from the participants and the leadership traits, characteristics, skills, and competencies identified in the study. Although I was aware that leaders of for-profit organizations try to leverage intellectual, emotional, and social capital to the fullest extent possible, I was pleasantly surprised that leaders of nonprofit organizations understand and leverage these same attributes in pursuit of the mission. The primary differences between nonprofit and for-profit leaders regarding the skills and competencies are the order of importance, frequency of use, level of ongoing intensity required, and how they are employed in the pursuit of the mission. Although both nonprofit and for-profit leaders generally have passion for the mission of the organization, nonprofit leaders spend more time motivating and connecting followers around the mission, given that the monetary incentives are much lower. Based on this information, I followed with a literature review on leadership skills and competencies.

Warren Bennis (2003) asserted that leaders add value by thinking abstractly and strategically; articulating a vision and purpose for followers; and providing a vision, and even hope, for workers. Thach and Thompson (2007) found that for-profit and nonprofit leaders were similar in their valuing of honesty, collaboration, and developing others; however, the differences between the sectors were in their valuing of time management, self-knowledge, inspiration, and conflict management. For-profit leaders were more likely to value time management and self-knowledge, and nonprofit leaders were more likely to value conflict management and being inspirational. Most importantly, the nonprofit
leadership traits, characteristics, skills and competencies, which the participants identified in my study, were fairly consistent with the literature on this topic.

Emotional intelligence consists of personal and social competencies. Personal competence consists of self-awareness, confidence, self-regulation, conscientiousness, and motivation. Social competence consists of empathy and social skills such as communication and conflict (Goleman 1995, 1998). Emotional intelligence is the ability to perceive and express emotions, to use emotions to facilitate thinking, to understand and reason with emotions, and to effectively manage emotions within one’s self and in relationships with others (Mayer, Salovey, & Caruso, 2000). The most effective leaders are alike in one crucial way. They all have a high degree of emotional intelligence. Without it, a person can have first-class education and training, an incisive mind, and an endless supply of smart and thought-provoking ideas, but the person still will not be a great leader (Goleman, 2011). The behaviors associated with emotional intelligence were characteristics of established leaders and critical to the future success of aspiring leaders (Taylor, Taylor, & Stoller, 2008).

described the traits as intelligence, self-confidence, determination, integrity, and sociability.

Hogan and Kaiser (2005) determined the skills and competencies for leaders are intrapersonal competencies, interpersonal competencies, business competencies, and leadership competencies. Whetton and Cameron (2007) described the skills and competencies as communication, managing time and stress, managing decisions, solving problems, motivating others, delegating, setting goals/vision, self-awareness, team building, and managing conflict. Kouzes and Posner (2007) stated the skills as model the way, inspire a shared vision, challenge the process, enable others to act, and encourage the heart. Northouse (2010) identified the skills and competencies as problem-solving, social judgment, and knowledge.

After my literature review, I decided to capture themes that emerged from each case. I carefully listed them and chose to combine some that had the same or similar meaning, but only slight variations in the actual words. I also reviewed the list of themes and highlighted the frequency of the use of business experience, practice, and for-profit techniques. Table 3 provides a summary of the themes from each case.
Table 3

Summary of Case Themes

<table>
<thead>
<tr>
<th>Themes</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
<th>Case 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right culture and ethnicity are helpful for leading and garnering support</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redefining socially accepted financial measures of success by the value on investment; Redefining socially accepted financial measures for society to understand the nonprofit sector; Balanced scorecard principles with redefining socially accepted financial measures for society to understand the nonprofit sector; Redefining socially accepted financial measures of success by money raised and people served</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Possessing <em>business experience</em>, skills and competencies are the quintessential ingredients to making a difference</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A blend of passion and <em>business experience</em> is needed to manage the organization</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addressing work complexity requires <em>for-profit</em> skills and competencies; Addressing work complexity requires cooperation and engagement; Managing work complexity requires the understanding of finance, economics, and tradeoffs; Mission appreciation with <em>smart business practices</em> for managing complexity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Periodic CEO turnover is an opportunity to move the organization forward; Appreciating CEO turnover as an opportunity to move the organization forward; Founder and CEO turnover are opportunities to move the organization forward</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Themes</td>
<td>Case 1</td>
<td>Case 2</td>
<td>Case 3</td>
<td>Case 4</td>
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<td>----------------------------------------------------------------------</td>
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<tr>
<td>Passion and steadfast belief in the mission while embracing aspects of the <em>for-profit approach</em></td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td>(continued)</td>
</tr>
<tr>
<td>Boldness and growth through acquisition and mergers</td>
<td>✔</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Both intellectual and emotional intelligence are important for leadership</td>
<td>✔</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Right leadership and board governance</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passion for the environment with rock bottom integrity</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intellectual and emotional intelligence with <em>business experience</em></td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission and passion are essential</td>
<td>✔</td>
<td></td>
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</tbody>
</table>

In all five cases, there was a variation of redefining socially accepted financial measures for society to understand the nonprofit sector. As I thought more deeply about my discoveries and tried to define how to show a measure of success for these cases, I realized that this is more about metrics showing the value received by the “community” at large. In four of the cases, there was a variation of addressing or managing complexity, and I would make the argument that growth through acquisition and mergers has a degree of complexity as well. As a result of this information, I identified three overarching themes:

- Theme 1: Establish metrics based on community needs.
- Theme 2: Demonstrate business acumen.
- Theme 3: Manage work complexity.
Table 4 provides an overview of the three overarching themes that emerged regarding the necessary skills and competencies for nonprofit executives to succeed, followed by an analysis of each case as it relates to the themes.

Table 4

*Overview of Overarching Themes*

<table>
<thead>
<tr>
<th>Themes</th>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
<th>Case 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish metrics based on community needs</td>
<td>Good margins and high quality service</td>
<td>Return on assets and balanced scorecard principles</td>
<td>Growth more than margin</td>
<td>Public costs avoidance and balanced scorecard principles</td>
<td>Money raised and people served</td>
</tr>
<tr>
<td>Demonstrate business acumen</td>
<td>Broad experience and business acumen</td>
<td>Business and for-profit experience</td>
<td>Business acumen to lead</td>
<td>Business person with strong business practices</td>
<td>Good financial chops and strong business background</td>
</tr>
<tr>
<td>Manage work complexity</td>
<td>Understanding the interplay of finance, economics, and services</td>
<td>Partnerships and strategic alliances</td>
<td>Mergers and acquisitions</td>
<td>Evolving regulatory environment</td>
<td>Donor shift from a single person to many people and agencies</td>
</tr>
</tbody>
</table>
Theme I: Establish metrics based on community needs. The research participants consistently shared stories regarding having measurable outcomes to determine whether the nonprofit was making a difference in the community. In each case, the participants explicitly cited the need to measure outcomes easily understood by the community served. Although people are more familiar with ROI, these leaders said that being able to redefine socially accepted financial measures is important for success. These nonprofits measured quantitative and qualitative outcomes and continually shared the results with the stakeholders. Specifically, the participants uniformly shared stories describing how each nonprofit organization established metrics contingent on community needs.

In Case 1, the nonprofit established metrics based on good margins and providing high quality service. Instead of focusing on ROI, the nonprofit measured success by the VOI. Alex said the community is looking for a return on the value of the nonprofit to the community as opposed to any other organization in the neighborhood. Hence, a nonprofit must demonstrate VOI to the community, which includes many intangible benefits. This is important for community support and buy-in and, ultimately, good margins and a balanced budget.

In Case 2, the nonprofit established metrics based on return on assets and following balanced scorecard principles. According to Beth, if the nonprofit is sitting on many assets because of an endowment and the organization is bringing enough revenue to cover expenses, then, the organization is sitting on too many assets, and not doing enough for the community. If the nonprofit is sitting on too few assets, then the organization may not be prepared to serve the community in the future. Hence, a nonprofit must focus on return on
assets, liquidity, and financial growth. The organization must have a certain amount of excess revenue over expense to stay viable and serve the community.

In Case 3, the nonprofit organization established metrics based on financial growth more than margin. According to Cindy, this is done by improving the quality of people’s lives exponentially while saving a boatload of taxpayer money because the nonprofit’s service models are less expensive than the current models. The nonprofit is a place where margin and mission are seen as two sides of the same coin. This requires a mindset that margin and mission are complementary, rather than an adversarial relationship. The nonprofit must ensure financial growth more than margin to serve the needs of the community.

In Case 4, the nonprofit established metrics based on program investment and public cost avoidance with a focus on balanced scorecard principles. According to Dale, this includes having more revenue than budget, fewer expenses than anticipated, contributions larger than planned, and then growth in net assets. Measuring success is how the nonprofit is viewed by the community, and in return, encouraging the community to have deeper, more profound, and more impactful discussions based on issues of poverty, race, and inequality.

In Case 5, the nonprofit established metrics based on money raised and people served. According to Erin, the organization determines success by their fundraising ability and whether the nonprofit is actually making a difference in the community. Basically, people must feel supported and connected to the organization, which empowers them to do good and meaningful work that really makes a difference for others. This is the nonprofit’s ability to make an impact in the community by moving people from poverty
into stabilization, and then having the stakeholders acknowledge the derived value. This requires the executive to think and communicate broadly around a more collective approach to making a difference in the community, which is referred to as community impact. The nonprofit brings value to the table and offers meaningful assistance to the community. The nonprofit measures community impact and then finds ways to articulate quantifiable outcomes to stakeholders and donors.

**Theme II: Demonstrate business acumen.** Each of the leaders could be characterized by a deep understanding of business principles, knowledge and experience. Additionally, the participants often mentioned that nonprofit executives must have business acumen to be successful in the sector.

In Case 1, the participants stated that leaders need to have broad experience and business acumen. According to Alex, the nonprofit sector needs leaders with a proven track record, who understand the importance of operating like a private business rather than a nonprofit organization. He said it is important to cross the line between nonprofit and for-profit organizations, because an individual who exclusively worked in the nonprofit sector may not have the experience or resiliency that is required to be a successful executive. According to Alex, people who are strictly raised in the not-for-profit world could be disadvantaged by not having other experiences. Consequently, nonprofit executives should have business acumen and broad experience, including time spent working in a for-profit organization, as he or she ascends to the top leadership position.

In Case 2, Beth said the organization needs leaders with both business and for-profit experience to successfully lead the nonprofit. Based on Beth’s entire career of more than 40 years working in the same sector, she still professes that the most accomplished
nonprofit executives will need to have both the professional business and for-profit experience. She has begun to hire people with for-profit business experience, which she realizes now is imperative to the success of the organization and the nonprofit sector. Additionally, the nonprofit recently added a master of business administration requirement to all positions in the organization. Beth stated that most nonprofits do not have the money or time to develop an individual without the professional business experience and business acumen, given all of the training and experience necessary for an executive to effectively navigate the organization in the multifaceted sector.

In Case 3, the participants said executives of nonprofits need business acumen. The nonprofit is a large and sophisticated business, so the leader must be fully capable with proven business acumen to not only manage, but to lead a $100 million organization. According to Cindy, the executive has to embrace aspects of the for-profit approach. Given the size of this nonprofit, having an executive equipped with for-profit experience is helpful and necessary for success. She said the strength of the nonprofit system and the emphasis on execution comes from her sales and marketing experience in the for-profit industry.

In Case 4, the leader needs to be a business person with strong business practices. According to Dale, the executive needs to be a business person because those skills are easily translatable, and are much needed in the nonprofit sector. The executive needs to follow strong business practices and have a strategy for organization sustainability, including financial and human capital. Nonprofits are not less work, they are not less complicated, and they often become more complex because the metrics are broader. The executive has to work in an environment where business acumen may not be as inculcated in the culture, yet it is required for the nonprofit to be successful.
In Case 5, Erin articulated that the executive needs to have a very well-developed set of business skills. This includes good financial chops and a strong business background. The nonprofit executive needs to understand the business nomenclature and have experience with diversifying the sources of revenue. There is a trend in the nonprofit sector to operate more like a for-profit business in terms of how the funds are obtained and allocated, the governance is managed, and the outcomes are measured. This includes defining metrics and targeting funds in areas where the nonprofit has the greatest opportunities to make a difference, focused on the mission of the organization.

**Theme III: Manage work complexity.** The nonprofits, for which each leader worked, were large complex organizations. Each nonprofit organization was going through tremendous change and undergoing varying levels of intensity based on how much time each leader had served in the position, and length of time remaining before retirement. The nonprofit sector is rapidly evolving, and managing the intricacies requires intelligence, cooperation and engagement.

In Case 1, the participants said an executive must have an understanding of the interplay of finance, economics, and services necessary to maintain solvency. Alex said senior care and health care are highly-regulated and convoluted businesses that require people to act in a dysfunctional manner to adapt, due to complex regulations. The programs and services are regulated and reimbursements are strictly set by the government, although senior care and health care do not have the same outcome every time. Consequently, an executive needs to help build diversity in revenue and services to further subsidize programs that do not recover costs due to state and federal government reimbursements. The role has become very complex and analytical because the nonprofit
is a reimbursement driven-enterprise. Adding to this complexity are the three and four
generation employees working in one organization with different motivations, self-
interests, and expectations.

In Case 2, Beth articulated that there is a tremendous amount of reform going on at the federal and state government level, which is going to change the way services for people with disabilities are funded. The funding will be reduced, which will require the nonprofit to find more efficient, less-expensive ways to deliver services to people with disabilities. In addition to understanding the regulatory process and how to raise money through the State of Minnesota, an executive must be able to understand the financials well enough to decide what to stop doing, what to start doing, and then how to move funds around and redirect priorities. A nonprofit has all of the complexities of running any other business, including transforming the business model and searching for partnerships and strategic alliances to manage cost.

In Case 3, the nonprofit is a robust and thriving business with a dynamic customer base, diverse revenue stream, and a multifaceted budget. Hence, the executive needs to manage work complexity and ambiguity, including executing mergers and acquisitions. The nonprofit has moved to acquire smaller, strategically aligned organizations, usually looking at $5 to $10 million nonprofits after carefully considering certain due diligence elements. An executive must demonstrate boldness and growth through acquisitions and mergers while remaining steadfast to the mission and delivering on financial metrics. In order for the business model to continue to work, nonprofits need economies of scale because of declining government reimbursements and donations.
In Case 4, the nonprofit is a large and highly regulated social services organization. Accordingly, an executive must stay abreast of evolving regulatory requirements, which are becoming more complex since the metrics are broader. According to Dale, it is not just how much money you made last year or the shareholder value, the metrics are much harder to understand and are difficult to quantify. Therefore, people who come from the perspective that he or she is simply going to run a nonprofit like a business do not understand that the organization is much more complicated. Additionally, the executive has to work in an environment where business acumen may not be as inculcated in the culture. The nonprofit has a complex business structure that requires the executive to have sufficient intelligence and an effective network. Dale articulated that the nonprofit is a large, complex, and highly regulated entity, which needs financial and relational resources as the fuel to advance the nonprofit. Consequently, the executive needs to be an ambassador, advocate, and fundraiser for the organization at all times.

In Case 5, the executive needs to be pretty savvy in finance because of the nature of the way the organization raises money. The nonprofit raises money throughout the year, but does not know what the budget is or how the funds will be allocated until the end of that year. The fundraising campaign is in the fall, but the organization does not receive any of the donor detail until the first quarter of the following year. There is this lag time and an inability to monitor and make adjustments along the way, which creates even more complexity for the organization.

The executive needs to translate and build a bridge between the people who work on these very complex issues to people who care about the issues, but do not understand them. Erin articulated that it is important to be proactive about being a bridge among
different concepts and different people who view issues very differently, while recognizing that the intricacy comes from balancing the competing priorities. The nonprofit must always stay true to the community investment strategy, the commitment to quality, and the dedication to support donor’s intentions and wishes.

The business becomes more complicated as donors shift from one person to many people and agencies. The leader needs to have an infrastructure that supports the donor shift from one person to many people and agencies. These individuals want to donate directly to specific recipients or agencies and view immediate results; hence, the organization has to demonstrate to the donor how the nonprofit will steward the resources through technology, finance, and communications. Additionally, the nonprofit is just getting into federal grants, which carries a huge compliance component. The executive role is expanding due to the diversity and sophistication of revenues the organization receives. Furthermore, the executive needs to manage the business through volunteers to get anything and everything done.

In light of the changing macro-environment, organizations must recognize that the ability to get government support is only going to get tougher and the ability to convince individuals to freely share their hard-earned treasure is only going to get more difficult. This includes the interplay and understanding of how to best leverage new technologies and how to increase the pool of potential donors, rather than continually tapping into the same networks.

The organization’s board is large—55 people; therefore, managing board governance is an essential skill, and a more complicated proposition in a nonprofit than in a for-profit by a very significant degree. The directors have term limits, but are also funders
to the nonprofit. Since nonprofits are smaller, this takes a bigger percentage of the executive’s time. In addition, the legislative leadership structure is more complicated and this causes slower decision-making.
Chapter 5

Discussion

The OD program created an interest in me to understand more about the leadership skills and competencies needed in the nonprofits sector. My own experience in a quasi-government institution, with vast and varied levels of executive leadership in operations, human resources, talent management, and organization learning and development also piqued my curiosity on the leadership skills and competencies necessary for success. This interest grew from my two consulting practicums of nonprofit organizations, which were part of the OD program. The practicums provided an opportunity for me to meet people outside of my own industry to gain a broader exposure to nonprofit organizations, exchange views, and learn from the richness and diversity of other leaders.

In both of the nonprofit practicums, the organizations were going through significant culture, leadership, and community demographic changes. My final nonprofit practicum highlighted the impetus for my research question: What skills and competencies do executives of nonprofits need to succeed? I served as the lead consultant for the engagement and mentored three OD doctoral students in their first practicum opportunity. After completing the process consulting engagement, the nonprofit board decided to discontinue the leader’s employment due to many issues raised and identified in the feedback. These issues included poor interpersonal communications, ineffective relationship building, uninspiring leadership, and indecisive decision making skills. The board was aware of these issues and had performance discussions with the leader prior to the consulting engagement, although this information was not shared with me or the team prior to delivering our feedback. Therefore, the feedback simply affirmed what the board
suspected. This was more of a widespread leadership problem, and our findings supported their decision to make immediate changes. Furthermore, board members said it was apparent that the leader could not meet the growth and financial performance expectations. I was surprised with the decision and the swift action after delivering the feedback, which demonstrated that the board was serious about improving the nonprofit and serving the community. As a result of my practicums, observations, and work experiences, I was intrigued by the intricacies of leadership, and I wanted my dissertation to address real world organizational problems and challenges in the nonprofit sector.

The purpose of my research study was to examine and understand the complexity of skills and competencies that characterize effective nonprofit executive leaders. Additionally, the focus of this research was nonprofit executive leaders who know how to successfully lead the organization. To answer the research question, I conducted an interpretive multiple case study by interviewing five chief executive officers between the ages of 45 and 65, along with five executive team members and five board members from five nonprofit organizations. The CEOs had from 6 to 40 years of nonprofit experience, representing organizations with annual revenues between $40 million and more than $110 million. The nonprofits included three social services organizations, a senior care and health care provider, and an organization that provides care and assistance for people with disabilities. The number of employees at these nonprofits ranged from 160 to 2,300.

At the conclusion of this study, I gained a deeper understanding of the leadership skills and competencies needed for nonprofit executives to succeed in the sector. The participation of experienced nonprofit CEOs, along with their colleagues and board members, provided unique insights and perspectives on the requisite leadership skills and
competencies for the sector. The study also provided a framework for thinking how and when to use these skills and competencies for success in pursuit of the mission. Although my initial literature review did not generate a lot of scholarly materials, specifically on the skills and competencies necessary for nonprofit leadership, the insights and perspectives from this study will hopefully encourage more empirical studies and research on nonprofit leadership skills, competencies, characteristics, and styles.

In this final chapter, I will discuss the findings that I believe were the most significant. I will compare those findings to current literature and highlight any surprises that I found. I will also address limitations of the study, make recommendations for future research, discuss implications of the findings for the field of organization development, and end with personal reflections.

**Overview of Major Themes**

Although the findings in the cross-case analysis identified that the skills and competencies were relatively the same, three themes in conjunction, emerged regarding what is also needed by nonprofit executives to succeed in the sector. The skills and competencies are the ingredients, and the themes are the sauce that melds them together. The three major themes that emerged after the cross-case analysis were:

1. Establish metrics based on community needs.
2. Demonstrate business acumen.
3. Manage work complexity.

As I began to search for current literature to compare and contrast with the findings from my research, I found that there was a scarcity of literature for nonprofits on metrics based on community needs, business acumen, and work complexity. As I narrowed my
search to find literature that directly related to community impact measures for nonprofit organizations, I found articles to study and compare the insights and themes that emerged from my study.

**Theme 1: Establish metrics based on community needs.** Establishing metrics based on community needs was the first theme in this study. As described in the cross-case analysis in Chapter 4, each nonprofit had a different metric explaining whether the organization was making a difference in the community. Even though each nonprofit redefined acceptable financial measures to enable others to understand their work, the study revealed that the nonprofit sector will continue to be challenged by society, which may be more familiar with ROI and bottom-line results. Consequently, a nonprofit organization with a good CEO and CFO combination helps to provide tremendous value by the ability to both watch every penny to maximize philanthropic donations and yet also remain compliant with rigorous government regulation and reimbursement guidelines. This CEO and CFO leadership combination also is advantageous for providing innovative services and programs to attract more revenue, and for articulating how the nonprofit is making a difference in the community.

Although good margins and high quality service, return on assets, growth more than the margin, public cost avoidance, and money raised and people served are very effective for establishing metrics based on community needs, my business background and clarity of messaging would suggest there is opportunity for a single method of demonstrating value to stakeholders and the sector. In Case 1, the concept of VOI was mentioned. Prior to this study, I had never thought about a nonprofit’s contribution in terms of the value of the organization to the community. Nonprofit organizations show VOI to the community by
demonstrating how it really makes a difference in the neighborhood, opposed to any other type of organization and service. It is a framework to understand and to analyze both the nonprofit and community impact. The key components of VOI are the mental and physical health and well-being of the individual who receives the services, which in turn brings society cost savings (lower medical cost through the reduction of emergency room and hospital visits, more children and youth educational programs, better services for people with disabilities, and less need to engage in unlawful behavior and activities), and also generates tax revenue by helping these individuals move to a stable environment and employment. This reflects some of the tangible long-term benefits and the value of investing in nonprofit organizations. Additionally, this investment brings value to everyone because of how many lives it touches in various ways, and often changes people for the better. This extends from donors, funders, and volunteers, to the leadership team that makes decisions about the allocation of resources, to the employees that design and deliver programs, to the recipient that receives and shares the acknowledgement that someone truly cares about them and their well-being. It is important to think broadly around this notion of community impact and embrace the tangible and intangible benefits of VOI in thoughtful ways on the balance sheet. This VOI may have greater appeal and broad applicability to nonprofits and not-for-profit organizations. Furthermore, VOI may be important for nonprofit leaders in the pursuit of stakeholder engagement and the commitment of both time and treasure to achieve the organization’s mission. Based on my research, VOI does help to establish and communicate metrics based on community needs.

In my literature review of establishing metrics based on community needs, I discovered articles related to a social impact measure, which is the total impact that a
nonprofit organization has on all of its stakeholders (Polonsky & Grau, 2011). Many grant makers, social investors, and other donors are seeking to be strategic about their philanthropic activities and social investments. By doing so, this requires that the nonprofit gather good-quality information about the actual or potential social impacts of their investments (Bugg-Levine & Emerson, 2011). Recognizing that traditional accounting methods do not accurately capture the impact of activities that lack established monetary value, social accounting has been developed to help value social and environmental impacts. Social accounting is a systematic analysis of the effects of an organization on its communities of interest, with stakeholder input as part of the data that are analyzed for the accounting statement (Richmond, Mook, & Quarter, 2003). One approach to the social impact measurement is social return on investment (SROI), which is akin to the ROI used in business analysis (Moody, Littlepage, & Paydar, 2015). The SROI monetizes social impacts and enables nonprofits to communicate proactively with funders, regulators, auditors, and boards (Maier, Schober, Simsa, & Millner, 2014).

SROI reduces complexity by boiling the difficult task of communicating value down to one figure. In a simple way, a SROI analysis can show the money spent by a nonprofit is not a waste. This figure can be used as a tool to shape public opinion on distributive justice or to legitimize a nonprofit by communicating their impact to audiences less receptive to qualitative evidence (Kersley & Steed, 2009). The unique strength of SROI analysis is a powerful communication tool, which falls into the domain of stakeholder management, marketing, public relations, and advocacy (Maier et al., 2014).

**Theme 2: Demonstrate business acumen.** The study revealed that business acumen was a competency that nonprofit executives need to possess to succeed in the
sector. There appears to be value in having a leader who comes from a different environment, such as a for-profit business, since the executive can learn what is necessary from a nonprofit organization perspective. These executives bring finance, human resources, and information technology skills and experience that may not be as prevalent in the nonprofit sector, but is extremely valuable for success.

All of the CEOs in the study had a strong educational background, a wealth of business experiences, and extensive knowledge of emotional intelligence before becoming the leader of the organization. Four of the CEOs had advanced degrees, three had a master of business administration, and one had a juris doctor. Additionally, one of the CEOs had a master of business administration from one of the top business schools in the country. Although one CEO did not have an advanced degree, he did have a bachelor's in business management. As a result of this knowledge and experience, the CEO felt strongly about executives having worked in both nonprofit and for-profit organizations to gain business acumen and compassion, before ascending to the top leadership role of a nonprofit.

All of the CEOs talked about the importance of business acumen to effectively lead the nonprofit organization. However, there was clear distinction between having this business experience and managing the nonprofit like a business, which may include outsourcing services, downsizing staff, emphasizing financial measures, and creating generous compensation packages. The CEOs were talking about the business fundamentals, principles, and frameworks to lead the organization. This includes what to start doing, what to stop doing, and what to do more of to advance the mission. In three cases, the participants referred to the decisions a leader needs to make regarding tradeoffs and the smart way, given every opportunity and initiative cannot be a priority or fully
Nonprofits are struggling with expectations, aspirations, capabilities, and resources. The aspirations and expectations are well ahead of capabilities and resources. Nonprofits need great information systems to produce and track good data for analysis and reporting; however, the more resources that are allocated to information systems, the less funds there are available for leadership development for staff running programs for children or adding a nurse at one of the facilities. There is constant tension between infrastructure capacity and direct services. These are big tradeoffs that can be detrimental to the humanistic values of a nonprofit organization.

The business framework would include understanding and managing the quadrants of the balanced scorecard: financial, internal processes, customer, and employee learning and growth (Kaplan & Norton, 1996). The balanced scorecard framework provides both qualitative and quantitative measurements and uses both financial and nonfinancial criteria. Although there may have been some controversy shifting away from strictly mission-based problems and challenges to a blend with financial measures, and several parts of the balanced scorecard may have been difficult for nonprofit organizations to embrace, each nonprofit organization found a way to define nonprofit customers as constituents who use the service, donors who contribute to the cause, government agencies that provide reimbursements, foundations who give grants, and corporate donors. All of the CEOs referenced this strategic management tool for leading the organization and communicating with employees and board members. Two of the nonprofits specifically talked about using the balanced scorecard for establishing metrics the community can understand.
After listening to the CEOs describe mission, vision, and business acumen to execute the strategy, I crafted a nonprofit strategic alignment model to illustrate how all of the key components come together to ultimately serve the community (see Figure 1). The Environment is shaped by the mission and the vision of an organization. The mission is often developed by the founder and is rooted in what “is.” The vision is a more dynamic statement that evolves based on current leadership or characteristics of a changing community and clients served. Both of these statements shape who the nonprofit is and why the organization exists.

The Strategy embodies what the nonprofit intends to do to fulfill the organization’s mission and vision.

The Culture, Structure and System represent how the work of the nonprofit will get done and how the strategy, vision and mission are executed in the operation of the organization. The culture encompasses the values of the nonprofit; the structure outlines the framework of how technology and people work together, and the system represents the policies, processes and procedures that wrap around day-to-day organizational operations.

Character and Competencies represent what is valued in members of the nonprofit and what skills and talents are needed to carry out the organization’s work of establishing metrics based on community needs, demonstrating business acumen, and managing work complexity.

The Community Served is the group (clients, families, donors, volunteers, leaders, staff, board members, and neighborhood) to whom all strategy and operations are aligned. All of the aspects of alignment - Environment, Vision, Strategy, Culture, Structure, System, Character, and Competencies – are developed with this group in mind.
When a nonprofit has strategic alignment, synchronization, and calibration, then the nonprofit has a better opportunity to achieve Flow. According to Csikszentmihalyi (2003), Flow is the feeling of being carried away by an outside force; every move is excellent and necessary, and moving effortlessly with a current of energy. At the highest moments of enjoyment, the entire nonprofit organization is working together in a smooth, efficient, and impactful manner to serve the community.

In my literature review of demonstrating business acumen for nonprofits, I did not find any scholarly articles that were specific to nonprofit executives or the sector. The articles were particular to the specific type of profession and/or industry. As an example, O’Brien and Ferris (2009) discussed the importance of business acumen for logisticians,
which involves the ability for logisticians to understand how strategies, decisions, and actions interact to impact the overall organization. Business acumen allows one to think about these interactions using the framework developed for use in modern corporate practices. Most of the articles used similar words for describing business acumen for their profession and industry. Therefore, the following statement regarding business acumen for nonprofit executives was developed from the research on the topic and comments from the participants in study.

Business acumen involves the ability for nonprofit executives to understand how strategies, decisions, and actions interact to impact the overall organization and the community served. Business acumen provides a framework for nonprofit leaders to think about these interactions, employing proven practices and models developed for use in the modern corporate world. Business acumen is a skill and competency all nonprofit executives need to be effective and to succeed in the sector as a whole.

Very few topics in management sciences have been studied more extensively, and with more varied approaches, than executive leadership (Kearns, Livingston, Scherer, & McShane, 2014). Leadership, not management, is required for establishing direction, aligning resources, and motivating and inspiring people in the 21st century (Northhouse, 2010). Leadership is a combination of special traits and characteristics that enable individuals to achieve the mission and vision of the organization, and the most effective result producing leaders support their style and competencies with authenticity, influence, and value creation (Cashman, 2008). Cashman (2008) described authenticity as a well-developed self-awareness that openly faces strengths, vulnerabilities, and challenges; influence, as a meaningful communicator that connects with people by reminding self and others what is genuinely important; and value creation, as a passion and aspiration to serve multiple constituencies—self, team, organization, world, family, community—to sustain performance and contribution. According to Northouse (2010), effective leaders have the
ability to encourage followers to accomplish more than is usually expected of them. Leadership is a process whereby an executive influences a group of individuals to coalesce around a common vision and goal to achieve extraordinary results. Bill George (2011) articulated that Minnesota CEOs are chosen more for character, substance, and integrity, not for their charismatic style and image. Instead of focusing on charisma, style, and image, the executives’ ideology was centered on character, courage, substance, and integrity. The goal was, to be transparent in their actions and behavior. Bennis and Nanus (1985) concluded that effective leaders build trust and, if they are truly transformational leaders, they help the organization continuously adapt to change.

**Theme 3: Manage work complexity.** My research discovered that managing work in a nonprofit has become more complex and specialized because of government regulations, reimbursements and compliance, and the sophistication of donors. This complexity requires strong administration processes and specialized knowledge such as audit, human resources, information technology, legal, accounting, and finance. Nonprofits are complex organizations and have to be attractive to many different audiences, which include board members, funders, employees, volunteers, and clients. In addition, the nonprofit CEO must be part politician, rainmaker (generating revenues by brokering deals and attracting donors), and visionary while extensively advocating for the mission on behalf of clients in the community and the legislature. Consequently, the CEO is entertaining and educating people and building personal relationships with funders and stakeholders all the time.

The study revealed a seismic change in how people donate to nonprofit organizations. There is a higher level of stewardship expected, given that one donation can
be distributed to multiple people, services, and agencies. These donors are more sophisticated and expect the information technology systems to be more advanced and robust as well. The world is more interconnected and the donors are knowledgeable and work in very complex environments, where so much information is available at an individual’s fingertips. Therefore, potential donors and government agencies are expecting a greater number of choices to direct contributions, better tracking capabilities, more real-time feedback on the delivery of services, and superior value to the recipient from nonprofits. Otherwise, the donor or government agency can direct their contributions to particular groups, programs, or services without any assistance. This expectation has required a material investment in information systems and people with computer science backgrounds to operate and maintain this environment.

Although this issue was not specifically raised by the CEOs in study, I believe there is another level of information security and expertise required given that the data storage involves personally identifiable information. Many large companies have experienced information security breaches and have been required to spend a lot more money on protecting their data. Information security breaches are a potential vulnerability for nonprofits given the integral and trusted sector; therefore, a breach could be catastrophic. As it relates to retail stores and financial institutions, eventually customers return out of necessity after a security breach; however, when it comes to making a donation to a particular nonprofit or cause, donors never need to return since there are other nonprofit organizations looking to engage them in similar programs. It is imperative to safeguard these assets as part of information system expectations and requirements.
These CEOs were active in civic and business organizations, including serving on other nonprofit boards. This conversing in the community has allowed the CEOs to generate ideas through intellectual discourse and debate. The CEOs developed alliances and partnerships throughout the community to shorten the learning curve and to achieve economies of scale. In these partnerships, the leaders have demonstrated the value placed on the assistance and knowledge of others. In one case, the CEO described this constant interaction within the community as “helping to breathe in fresh air to shape and build the organization.” These nonprofit executives focused on creating long-term value for people served, ultimately benefiting employees and society at large.

The large nonprofits recognize that their operating model needs more acquisitions and mergers to work; however, the dichotomy among ideology, cost savings opportunities, and community served has been challenging. In one case, the nonprofit made a decision not to merge because of ideology, although there was synergy and cost saving opportunities. It was not unusual in the corporate culture of the faith-based nonprofit to begin a staff meeting with a prayer. The service delivery and the missions were similar, but the way that each nonprofit executed the mission was different. Additionally, the nonfaith-based nonprofit was supported by county and public funding. As resources become scarce and less abundant, there appears to be an opportunity to create a framework for how to think about finding common ground and compromise for the greater good. The CEOs acknowledged that compromise will be needed in the future, and culture and ideology cannot continue to trump efficiency and synergy in this era of slow economic growth, tight budgets, uncertainty, and change.
These nonprofit leaders were continuously reading, learning, reassessing and challenging assumptions and operating models. At the same time, the nonprofit leaders demonstrated the capability to refine these thoughts and ideas through reflection of content. According to Ackerman-Anderson and Anderson (2009), leaders change through reflection on the content and the impact of their own mindsets on leading change. Consequently, due to the changing environment, these nonprofit leaders intentionally striving to increase their own conscious awareness about how the organization and its people were changing, including their own personal transformation. This means the nonprofit leader needs to be prepared to reflect on what is going on in his or her own head and heart, so he or she can then challenge those same kinds of issues in the organization. Although this can be exhausting and very difficult, this reflection is very valuable for managing complexity in the nonprofit sector.

There was not much literature specifically on managing work complexity for nonprofit organizations, so I decided to search and study more literature on SROI to determine whether this tool would help to address some of the challenges and issues in the sector. The SROI framework helps nonprofit leaders communicate to for-profits, government institutions, and donors in business-like nomenclature and enhances the efficiency and effectiveness of resource allocations (Maier et al., 2014). However, the lack of standardized methods of measuring social impact means that the complexities of the full value of government and philanthropic impact are underrepresented and underappreciated (Moody et al., 2015).

In recent years, a number of academic studies and some additional practitioner analyses have tried to come up with ever more sophisticated techniques for calculating
SROI (Adler 2006; Hammitt & Haninger, 2011), although these complex techniques and careful measures are still rarely used routinely in organizational practices. A growing number of people working to create social impacts want good ways to measure—even to monetize—those impacts, yet few have found feasible methods for doing so (Mulgan, 2010). Measuring social returns in effective, valid, and reliable ways that can provide a common language and metric for comparing various potential social impact ventures remains an elusive goal for most who want these sorts of measures (Mook, 2013). Cooney and Lynch-Cerullo (2014) pointed out that even when conducting SROI assessments for the same organization, calculations can vary widely depending upon key decision points. Nonprofits have to evaluate multiple criteria that could change over time as they attract funding from different sources, thus requiring continuing investment in developing systems for evaluating and tracking activities (Polonsky & Grau, 2011).

The goal of any evaluation should be to provide information to the nonprofit to improve its performance, both socially and organizationally, as well as to the donors to assess whether their support has been justified. The goal of assessments is to maximize the value of nonprofits to society (Polonsky & Grau, 2011). However, the use of a measurement tool is not a completely objective activity (Barman, 2007). Polonsky and Grau (2011) determined that one comprehensive measurement across the entire nonprofit sector would be unlikely to work given the social sector is simply too complex to boil its success down to one single measure of performance. Solving social problems is more complex and needs to integrate assessments of outcomes that are difficult to measure. Assessment of nonprofit organizations is complicated by the absence of any single criterion on which to judge performance (Barman, 2007). While donors and government agencies
may look for standardization of assessment, much like in business, it is important to realize that there is no clear bottom-line measurement for nonprofits (Polonsky & Grau, 2011).

Further complicating the assessment of nonprofit performance is that some nonprofits are formed specifically to address the interest of donors rather than to meet public demand (Vaughan, 2010). The mission of these nonprofits and the services they provide are the result of donors’ concepts of what is needed or wanted (Frumkin, 2002; Rose-Ackerman, 1986). This may or may not be consistent or aligned with what policy makers or the general public believes should be done.

This lack of use appears due, in large part, to the number of thorny, often expensive, challenges associated with implementing an SROI measurement process. Barman and MacIndoe (2012) demonstrated how organizational capacity is a major barrier to implementation of outcome measurements, despite the field-wide pressure to do so. Venture Philanthropy Partners (2001) argued that for too long nonprofits have focused primarily on programs and keeping administrative cost low, as opposed to building capacity for the organization. Furthermore, programs are insufficient for long-term social impact and leaders of nonprofits should engage in capacity building, despite its difficulties and cost, as well as focusing on the present and satisfying donor support for specific programs (Venture Philanthropy Partners, 2001).

**Limitations**

The limitations to this study are a result of the design and the nature of the methodology. Since the purpose of this study was to provide a detailed, contextual analysis of specific cases, the findings may not apply to nonprofit organizations beyond the scope of the study. According to Stake (1995), the finding from the case study may not be
generalized to a larger population. This study was intended to look at the phenomenon of nonprofit executive leadership skills and competencies in depth rather than searching for a broader perspective on the issue and different approaches to determining effectiveness and success.

The findings only apply to Minnesota civic nonprofits that were studied and may not be generalized to other nonprofit organizations. The findings may have been different for large nonprofits in other states and for smaller nonprofits and not-for-profit organizations. More replications of the study are needed to see if the study findings can be generalized to other organizations.

My findings are based primarily on participants’ interviews. The executives and board members were identified by the CEO. Hence, the leader may have selected colleagues, whose ideas and views are consistent with his/her own. There is a possibility that there may be other executives and board members around the CEO, who may have had different opinions and perspectives on the skills and competencies executives of nonprofits need to succeed.

My findings have an additional limitation because the researcher has a similar business education profile as three of the CEO participants in study, which is a master of business administration. Although the researcher bracketed his bias, this is a lens through which the findings may have been influence.

**Implications for Practice**

Findings from this study have implications for leaders of nonprofit organizations and those who aspire to this influential role in the sector, as well as OD consultants and practitioners working in the sector. The findings of the study may help nonprofit leaders to
become more knowledgeable about the skills and competencies needed for success in the sector. Given that the skills and competencies for nonprofit and for-profit organizations are relatively the same, and business acumen is becoming nonnegotiable for leaders in the sector, there is an opportunity to introduce more conventional for-profit business-related models, tools, and practices to the sector. For example, Kaplan and Norton’s (1996) balanced scorecard framework has traditionally been used by for-profit organizations, and the study revealed that all of the participating nonprofits were also using the tool for managing the organization’s performance.

In the past, there may have been a larger sense of alliances and partnerships in the nonprofit sector, opposed to competition. Based on the comments and actions by some of the nonprofits in the study, there appears to be some redundancy in services in the sector coupled with merger and acquisition activities becoming an integral component for achieving economies of scale. In the same way that the balanced scorecard tool has added value in the management of nonprofit organizations, another for-profit business tool may be a model to also draw upon. There may be an opportunity to explore the use of Porter’s (2008) five forces model, which is a framework for identifying the five forces that determine industry profit (revenue) potential and help shape a firm (nonprofit) competitive strategy (see Figure 2). Adapting for-profit business models like this to meet the unique demands of leading nonprofits has occurred before. Jim Collins distilled the core ideas of his Good to Great (2001) concepts and provided examples of applicability in the nonprofit sector in his publication Good to Great and the Social Sectors: A Monograph to Accompany Good to Great (2005). This same strategy could be used in adapting Porter’s
five forces model. The model can help nonprofit leaders determine industry revenue potential and position their organization for sustainable competitive advantage.

![Figure 2. Porter's five forces model.](image)

Considering the insights from this study, there may be many other conventional business frameworks and models that may be applicable to the nonprofit sector, which may create advantages and opportunities for nonprofit leaders and OD consultants and practitioners.

**Suggestions for Future Research**

The number of participants in my study was 15, representing five large nonprofit organizations. The organizations were diverse with regard to nonprofit CEO experience, employee population, and revenues, with some variations to services provided. As a result, a grounded-theory study could be conducted. The participants in the study could be a
broader group of CEOs, dispersed geographically, working for both nonprofit and not-for-profit organizations.

Since this study primarily focused on what nonprofit leaders need to succeed, future studies should look at the research question of why nonprofits fail, since there is no simple answer to this question. Nonprofits fail for many reasons including the lack of leadership and a poorly identified mission. Furthermore, failure may be the inability to attract solid and dedicated volunteers; every nonprofit organization at some level relies on good volunteers.

Nonprofits have concentrated on fundraising and serving the local community, which may have been an appropriate model in the past. Many of the corporate donors are national, international, and global, so a future research question is how nonprofit organizations should position themselves to globally attract donations from corporations and individuals, establish partnerships and alliances, and serve broader and multicultural communities in accordance with the mission.

Finally, nonprofit work requires hard work and sacrifice on the part of the CEO. As a result, the leader can lose the drive and the passion for the work after many years in the same nonprofit organization. According to the participants in my study, CEO turnover can be good for both the individual and the nonprofit to move forward. It is not that the CEO is no longer doing a good job, but it appears this change can bring a fresh perspective, reenergize employees, and result in new donor relationships. Therefore, another question to consider for future research would be, “What is the ideal tenure for a nonprofit CEO before moving on to allow someone else to lead?”
Personal Reflections

I have worked in financial services for my entire career of more than 30 years, including while I was in college. I was hired into a management trainee program shortly after receiving my undergraduate degree, and I have served in a management capacity since that time period. I was promoted to senior vice president and member of the executive team more than 11 years ago, with responsibility for many business lines and departments.

Although my career in financial services has been rewarding, I often reflect on my leadership experiences and how people are experiencing me as a leader. The question I often ask myself is, would I follow me? This is always a difficult question to answer, given that this process requires introspection and reevaluating past successes, failures, and vulnerabilities. Most importantly, it is the lessons learned from the experience, and what skills and competencies I could employ to make a difference in the future. As a result, the stories, experiences, perspectives, and insights from the participants regarding the leadership skills and competencies necessary to succeed really resonated with me.

Since the beginning of the OD program, I have tried to follow Kouzes and Posner’s (2007) five practices of exemplary leadership: (a) modeling the way, (b) inspiring a shared vision, (c) challenging the process, (d) enabling others to act, and (e) encouraging the heart. They make sense to me, and meet me at the center of who I am, and who I want to be. During each interview, the CEOs and participants described experiences and points of view on nonprofit executive leadership skills and competencies that were reminiscent of the five practices of exemplary leadership. Consequently, I plan to continue to align my work and personal life around these characteristics, qualities, and attributes.
Each of the themes that emerged in the study contributed to my knowledge about leadership skills and competencies. In addition to the three themes, I have also gained a greater understanding around the importance of developing one or two key probing interview questions to assess whether a potential leader has the relevant skills, competencies, and lived experiences, before selecting the individual for an influential leadership level role. In fact, the question that I have been using for all candidate interviews, since the study, is from Case 4 and is related to whether the candidate has experienced rock bottom integrity. The modified interview question is,

Tell me about a situation in which you took an unpopular stand that potentially or actually affected your career negatively, based on what you believed represented an important issue for the business or the organization. What was the situation, what did you do, and what was the result?

There was an insightful moment in each case where I felt the gravity and weight of the nonprofit CEO role. In Case 1, it was the comment Alex made about always wearing his tie in public because a person’s perception of him in the community are long lasting. In Case 2, it was Beth’s decision to move the vice president over human resources, out of her job because of what the organization needed for success, despite having a long-term working relationship with the person. In Case 3, Cindy focused on organizational growth through mergers and acquisitions, and then decided to walk away from a merger that would have clear economies of scale and benefits to the community served. This was necessary to stay true to the mission of the organization. In Case 4, it was when Dale described taking over for a nonprofit founder in another state, and realizing the tenure would be short based on his understanding of the literature describing replacement of a nonprofit founder. In Case 5, it was when Erin decided to continue a close relationship with a donor once the individual decided not to donate to the nonprofit, after a
disagreement on funding a particular program and organization. The CEOs did not talk about these responsibilities as if they were a burden or with an expectation of sympathy, but with personal honor and pride, exactly what one would expect from a great leader.

Consequently, during challenging leadership moments in the future, I plan to reflect on the way these leaders found inner strength, inner fortitude, and inner confidence to rise above the situation and lean in to it with strength of character.

In closing, my research found that for-profit and nonprofit leaders need similar skills and competencies for success, and they must value honesty, integrity, collaboration, and leadership development. This is consistent with my leadership style, which focuses on the needs of people to achieve financial and learning goals that are sustainable over the long run. I believe a leader must make a long-term commitment to learning and developing oneself and other people. I realize the only true sustainable competitive advantage is the maximum utilization of each person. The experience, knowledge, and insights from the OD program have been valuable in helping me with a wealth of techniques, approaches, and methods for understanding organizations and people. Ultimately, understanding the skills and competencies necessary for success at a deeper level will enable me to reach my full potential as a leader in business and in the community.
References


Appendix A

Invitation to Potential Participants (Via e-Mail)

(Date)
Dear Executive Leader,

My name is Duane Carter and I am a doctoral student in Organization Development at the University of St. Thomas. I am currently working on my dissertation, and I would like to invite you to participate in my research study, entitled *What Skills and Competencies Do Executives of Nonprofits Need to Succeed*.

Most of the literature on leadership has been directed toward for-profit organizations, which may have created a gap in the body of knowledge regarding nonprofit executive leadership, management, development and growth. In an era of slow economic growth, tight budgets, uncertainty, and change, this will provide an opportunity for better clarity and understanding of what skills and competencies are needed for executive leaders of nonprofit organizations to be successful.

By participating in this study, you will have an opportunity to identify the skills and competencies necessary for nonprofit executive leadership, which may help to lower operating costs, secure public and private funding and meet financial and business objectives. The purpose of this research study is to understand and describe the complexity of skills and competencies that characterize effective nonprofit executive leaders.

I am looking for executive leaders with a minimum of three years of experience leading a nonprofit organization. Participants will be asked to participate in a 60-90 minute interview to describe the leadership traits and skills of effective nonprofit executive leaders. Participation in the study is completely voluntary. There is no financial compensation for participating in this study.

The identity of all participants will be kept confidential; any information collected as a part of the study will be used in a manner that protects your privacy and identity. In my dissertation and in any follow-up reports that I publish, I will not include information that will make it possible to identify you or your organization, in any way.

Your involvement in this research would be very valuable to current and future executive leaders in the nonprofit sector. I would sincerely appreciate your participation in this important research study for the nonprofit sector. The next step is to simply contact me at duanecarter1@comcast.net or (612) 730-2847 with your positive response.

Thank you for your consideration. I look forward to hearing from you soon.
Best regards,

Duane Carter  
Doctoral Candidate  
University of St. Thomas  
(612) 730-2847  
Duanecarter1@comcast.net
Appendix B
Primary Participant Interview Guide

CEO Interview Questions

1. How long have you worked for this particular organization, and how many years of nonprofit executive leadership experience do you have?

2. Tell me how you came to the organization, and how did you come into this role?

3. Tell me about what the role entails?

4. How has your organization evolved over time?

5. What skills do you use to lead the organization today?

6. What are some of the core skills and competencies needed for this role, and why?

7. What skill or competency would be the most beneficial, and why?

8. Describe the perfect person for this role and what skills, competencies, and experience they would need to have?

9. How do these skills and competencies support the mission of the organization?

10. How do you define success?

11. How do you measure success?
Appendix C

Secondary Participant Interview Guide

Interview Questions

1. How long have you been affiliated with the organization, and what is your role?

2. How does your role interact with the executive leader?

3. How would you define the role of the executive leader?

4. What skills and competencies do non-profit executives need to lead the organization, and why?

5. If you had to pick one skill or competency, what is the most vital and why?

6. What skills and competencies get overlooked when you look to fill an executive role?

7. How do these skills and competencies help achieve the mission?

8. How does the organization define and measure success?