‘Today’s nonprofit leader must navigate *and* fundraise well.’

CEOs In Need

Not too long ago, an organization I know was looking for a new leader who could fix its revenue problems, navigate a big AI investment, curb an exodus of employees, and mend fences with some of its most important stakeholders. That’s a laundry list of challenges that wouldn’t sound out of place in most Fortune 500 boardrooms. But the organization looking for this type of multitasking leader wasn’t an aerospace contractor, a big-box retailer, or some massive manufacturer. It was a nonprofit that normally focuses on disaster relief and senior housing.

It’s easy to focus on all the leadership turnover in the corporate world: When a CEO steps down at a multinational company, it makes headlines. And in recent years, a record number of CEO departures has made a lot of headlines. The (at times) quieter world of nonprofits is going through its own succession challenges, but without the same headlines as the commercial sector. There are around 1.9 million registered nonprofits in the United States, ranging from all-volunteer neighborhood groups to multistate hospital systems with more than 240,000 employees and $120 billion in revenues. And if you look at the CEO turnover rate at nonprofits, you’ll find it’s about 12 percent a year. That’s only slightly less than the rate at which S&P 500 companies change their top leaders.

Some of that churn is because of demographics: Many nonprofit CEOs are baby boomers reaching retirement age. But it’s also because of stress. According to various studies, about 70 percent of C-suite nonprofit executives are at risk of burnout. Nonprofits these days hope they can get at least five good years out of their CEO—enough to successfully complete one multiyear strategy and get started on a new one.

More important than the turnover rate is what those nonprofits are seeking in their new leaders. A decade ago, if a nonprofit executive had a deep knowledge of their organization’s mission, a savvy ability to fundraise, and a good rapport with the organization’s directors, they had a really good chance at being successful. But these days, nonprofits are massively prioritizing the same particular leadership trait as many of their for-profit counterparts—namely, agility: the ability, and even desire, to successfully tackle multiple new challenges at once.

You hear nonprofit directors use the term “change management” these days, and it’s not surprising. Much like their for-profit cousins, a lot of nonprofits are dealing with operating costs that are significantly higher than they were a few years back. They’re also dealing with finding new sources of revenue, as more baby boomers pull back on donations and Gen Z finds themselves not earning enough income to donate. In response, some of the new leaders in the sector are trying to figure out how AI can be used to cut costs, deliver better services, or improve productivity. All of these disruptions are moving at a faster pace than pre-pandemic challenges. On top of that, political polarization is having a disproportionate impact on many nonprofits. Some themes that got steady support for decades are now unpopular (and vice versa). A new nonprofit leader has to navigate all that *and* fundraise well.

The good news, at least for nonprofits, is that there are plenty of agile executives in the for-profit world who might be willing to make a change. Recently, a healthcare nonprofit picked a new leader who had no experience in the nonprofit world or as a CEO. But in his other roles, the new boss had successfully dealt with revenue issues, staffing troubles, government relations, and healthcare disruptions… often simultaneously. I expect many more nonprofits to consider embarking on similar succession plans, as the two worlds of for-profit and nonprofit begin to collide.

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