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## From DRG's Virtual Conference Leading Nonprofits: The Next Twenty Years

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### Leading in Different Worlds: Moving from the Business Sector to Nonprofits

by Caitlin Tilton

*During a nearly 30-year career at the consulting firm Booz Allen Hamilton, Bruce Pasternack founded a strategic leadership practice, co-wrote a book on corporate management and climbed the ranks to become senior vice president and managing partner.*

*Still, he craved a new challenge.*

*In the late 1990s, Pasternack got to know the Special Olympics while leading a pro bono project to help expand the organization's reach. Later, he was invited to join its board. When he heard the nonprofit was searching for a new chief executive, Pasternack asked:*

*Would you consider me?*

*In 2005 Pasternack became president and CEO of Special Olympics, joining a growing number of top executives from the private sector who have made the shift to leading nonprofit organizations.*

*But the transition can also be fraught with pitfalls.*

*"People are retiring earlier from the corporate world but are not ready to end a career," says Ann Marie Thigpen, director of the Long Island Center for Nonprofit Leadership at Adelphi University. "People have been there, done that and want to give back more."*

*"Sometimes it works really, really well. Sometimes it's a disaster," says Richard Moyers, program officer at Meyer Foundation who co-authored the 2006 survey and also wrote the book, "The Nonprofit Chief Executive's Ten Basic Responsibilities" (Boardsource, 2006).*

*The nonprofit sector is expected to experience a leadership shortage in the next five to ten years. As baby boomers age, existing executives retire and the number of organizations continue to proliferate, the non-profit sector will need more than 600,000 new senior managers over the next decade, according to a study by the Bridgespan Group, a nonprofit consulting firm.*

*What's more, a 2006 Meyer Foundation survey of 2,000 executive directors reports that three out of four are likely to leave their jobs within the next five years.*

*That means that unprecedented opportunities lie ahead for corporate executives considering a shift to the non-profit world. And those well-honed financial and management skills will be in great demand.*

*But nonprofit hiring committees must think carefully about what kind of leader their organization needs to take it into the future.*

*Executives considering a career switch need to realize the enormous challenges involved. An ideal candidate should be well acquainted with the organization and share its mission - like Pasternack was - before taking on a job. Even so, experts say, executives steeped in the highly competitive and faster-paced tradition of the private sector may find themselves frustrated by the nonprofit work culture.*

*So how should executives and boards successfully navigate these new terrains? Here is the advice of those who have done just that, and those who observe them.*

### **Seek Candidates With The Right Stuff**

Though candidates with private-sector experience are highly attractive to many board members, experts caution against overvaluing corporate skills. Before hiring anyone, directors should first think deeply about the organization's true needs.

"What the organization needs now may not be what it needed five years ago. It may be someone very different from the founder or the long-term executive director," Thigpen says. "Don't hire a clone of what's already there."

Above all, board should hire with an eye toward the future.

"Think hard about expectations. Would the candidate help solve your problem?" asks Laura Otten, executive director of the Nonprofit Center at La Salle University in Philadelphia. "Boards seeking turnaround or changes tend to search more in the for-profit world."

Private sector executives are often viewed as being more financially disciplined and bottom-line oriented - traits that appeal to organizations facing money troubles, Otten and others say. Top managers schooled in the private-sector tradition also expect results, and they tend to have little patience with staff or projects that don't.

To succeed, leaders need more than just business acumen. Nonprofits rely on donations and grants and have much more complicated revenue models. And courting big donors is not quite the same as mass-selling a product to faceless consumers. Outsiders may be completely ignorant about the nonprofit granting process.

"I've heard things like, 'the new executive director forgot to apply to the county for the county grant and lost out on \$600,000,'" Moyers says.

To be effective, executives typically must also have really good people skills. Unlike the for-profit world where an executive can motivate employees with salaries or bonuses, such tools are typically not available to resource-constrained non-profit executives.

"You have to make people feel valued in other ways, give other rewards, like support their career development," Pasternack says.

A nonprofit executive must be able to satisfy and rally multiple constituencies. Some organizations rely a lot on volunteers - something completely alien to many from the corporate mold.

"We can't fulfill our mission without volunteers. We're out of business without them," says Judy Vredenburg, former president and CEO of the chain retailer Chess King, who is now president and CEO of Big Brothers Big Sisters of America. She considers her other "primary customers" to be children and

donors. In the world of a nonprofit executive, she says, "you have to be much more collaborative than competitive to accomplish big things."

### **Prospective Candidates: Look Before Leaping**

The most successful transitions tend to involve candidates already familiar with the nonprofit, Moyers and others say. Despite their corporate credentials, the executives either already worked as a volunteer, served as a board member or had a personal connection to the cause - such as having a family member helped by the organization's work.

"They're not true outsiders," Moyers says. "They didn't just come into it cold."

If you're not already connected or involved, research the position and the field so you know what you are getting into and you share the organization's mission, experts and executives say. You also need to understand why the board is interested in hiring you and all that the job would entail.

Don't do it if you're looking to slow down for a "lifestyle change," executives who have made the transition say. Some say they work longer hours now, at a fraction of their old pay.

"Do some soul-searching about what you want to dedicate your life to," says Vredenburg, whose first nonprofit job paid just one-quarter of the corporate job she left. "Understand you're not going to get rich in money in this sector, but it's incredibly rewarding in other ways."

Executives should also keep an open mind about unexpected opportunities.

When Kenneth H. Bacon was an assistant secretary for public affairs at the Pentagon, he felt moved by the plight of refugees from Kosovo and Rwanda. In a conversation with Richard Holbrooke, at the time U.S. ambassador to the United Nations, he heard about a job opening at Refugees International.

The job "fell into my lap," says Bacon, now president of the organization.

"I would urge people to be open-minded and adventurous in looking at changes," says Bacon, who was a reporter and columnist at the Wall Street Journal for 25 years before joining the Department of Defense. "Change is both challenging and rewarding. Each change was exhilarating. It opened my mind to new experiences."

### **Fuzzy Roles and Culture Shock**

Nonprofits have less money for support staff and often lack resources that executives from corporate suites take for granted. Their mantra is "doing more with less."

When Pasternack took the helm at Special Olympics, he was surprised that none of the staff had communications tools taken for granted in the corporate world, like PDAs.

"We beg and do everything we can to get up-to-date technology to do our work," Pasternack says. "You have to work differently, or smarter."

In the corporate world, there is typically a clear delineation of roles, with plentiful support staff to do grunt work. Executives unwilling to roll up their sleeves are probably better off staying where they are.

"You better know how to fix your own laptop and un-jam your Xerox machine," says John C. Read, a former manufacturing executive now at the helm of Outward Bound.

Executives steeped in the private-sector tradition say they have also felt frustrated with nonprofit work culture.

Vredenburg was accustomed to a fast-paced environment and making decisions based on facts, logic and analysis, she says. She faced a very different environment when she took a top job at a large nonprofit in 1993.

"One of the big obstacles I found was an emphasis on consensus and process-orientation, as opposed to being results-oriented," says Vredenburg, who has moved on to Big Brothers Big Sisters. "People were coming from a 'mission,' a 'heart' place. They weren't making decisions on, 'how do you do it most effectively?' It was more about feeling good about each other and the mission. Non-profits need to be more tough minded and, like all organizations must make investments in order to grow."

Tim Cohen, a former retail marketing consultant who now works as vice president for development for Hillel: The Foundation for Jewish Campus Life suggests developing patience.

"In my world as an entrepreneur, I get an idea, and it's done," he says. Now he knows he has to get buy-in from others and go through his board. "But if you have good ideas, cream rises to the top."

### **Corporate Values Also Welcome**

Executives who have made the switch say their private sector backgrounds and bottom line-driven values have served them well.

"At the end of the day, the two worlds actually are very similar," says Steven Flanders, a former marketing and management consultant and chief operating officer of Seeds of Peace, a non-political non-profit that helps teens from regions of conflict learn peace-making skills. "In the for-profit world, you're trying to raise as much money as you can. In the not-for-profit, you're still trying to raise as much as you can, but you're trying to cure a disease."

Many nonprofit executives with corporate backgrounds still use the same language from their for-profit days to describe their values, initiatives and goals - to the applause of nonprofit boards and donors.

Gerrald B. Silverman, former president of Keds Corporation and now executive director of the Foundation for Jewish Camping, talks about Jewish-age children as his customers and sees "increasing market share" as a mission. He finds it important for nonprofits to have a "business plan" for "delivering a service or product. He sees his job as "delivering results."

"We've tried to apply quantitative language to what we do," Silverman says. "We find that it resonates with donors and philanthropists."

### **Cultivate Board Support**

Non-profit boards are nothing like their corporate counterparts, executives and other experts say.

In for-profit organizations, board members rarely interfere with what executives do. They also are sometimes elected on the recommendation of the chief executive, and thus beholden to the executive. In the nonprofit world, the power dynamic is the opposite. Careers of nonprofit executives thrive or die depending on how they deal with their board.

"Often, the toughest nut for the for-profit executive to crack is the board relationship," Otten says.

Nonprofit board members can be impractical, driven by personal passions rather than a sense of fiduciary duty and prone to micromanaging, executives say. Directors sometimes disagree among themselves and convey conflicting priorities.

Savvy executives wear the hat of a diplomat. They help board members agree on an agenda and persuade wayward ones to come around. They also make sure they have clearance from their board before carrying out ideas.

For example, on Flanders' recommendation, the Seeds of Peace board made a controversial decision in summer 2006 to shut down the organization's Jerusalem Center for Coexistence.

"This was not peaceful coexistence anymore. Palestinians had trouble getting to the site," Flanders says. "We were paying an exorbitant amount of rent for space that was being little used."

But because the center was so beautiful and laden with symbolism, Flanders says, he received a lot of pushback from staff as well as upset donors pleading to keep the center open.

"It means so much to us," they told him.

"Well, it only means something if the organization is still alive," Flanders says he replied. "Are you into the business of having symbols or having programs for the Seeds of Peace?" Flanders says he was able to stand firm because he had the backing of his board.

Executives who ignore their nonprofit board members do so at their peril.

Otten once knew an executive who was "very frustrated by the fact that he couldn't get the board to do this, couldn't get the board to do that."

"He kept butting heads," Otten says. "People kept telling him, 'You can't do that. It's not your board. You're going to get yourself fired.' And that's what happened."

"Egos can get very easily bruised when you're used to being the big cheese or big dog," Otten says. "To be a nonprofit executive, you've got to be a good team player."

Experts also recommend that board members provide new executives with extra help during the critical first few months. Adelphi, for example, organizes peer support roundtables for new executive directors.

Executives also suggest seeking out board members as mentors they can go to for advice during their transition. "I was blessed with several," Silverman says. "It made the transition so much better."

### **Be Humble And Eager To Learn**

Experts advise new executives to come into their job with a good dose of humility. Ego, overconfidence and braggadocio that may have worked well in a competitive corporate setting won't fly in the nonprofit sector. Nor will a rigid, tops-down management style.

"Nonprofits, in my experience, don't respond well to command-and-control," Read says.

Listen as much as possible to every constituency, from board members to staff, from donors to volunteers. To build credibility, a new executive should go out into the field and visit staff or volunteers in the trenches.

A new executive should "not to just sit in his or her office and listen to the senior management team," Otten says. "Travel throughout the organization and listen to the people from the ground."

Be quick to admit and apologize for errors, executives say. Then make sure you learn from your experience

Silverman recalls making a rookie mistake when it came to a grant proposal, something he wasn't familiar with.

"I did not do my homework and submitted something laughable," he says. "I wasn't really familiar with the scope of how the granting organization worked."

He told his staff: "Time out, I messed up on this one," and then made sure it wouldn't happen again.

"The best way to elicit trust in people is to be honest, even when you mess up," Silverman says. "People respect that you're fallible and you make mistakes. But shame on me if I make the same mistake twice."

After Pasternack took the helm of Special Olympics, he still spent a lot of time talking with managers as well as the rank-and-file, even though he already knew the organization and a lot of the people there. He wanted to find out how people worked and what roles they played, he says, and he now has a better appreciation for some of the subtleties of their jobs.

"You never really know an organization from the outside, even as a consultant," Pasternack says. "I still had a lot to learn, an enormous amount to learn."

*This article was initially published as part DRG's Executive Search Consultant's Virtual Conference. All rights reserved.*