

9.5 on the Richter Scale

Community Foundations Forum

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This talk was given at a forum presented by the six San Francisco Bay Area community foundations.

When John Kreidler of the San Francisco Foundation first talked to me about this forum, he asked me to see my role as introducing some creative tension into the room, to be a kind of agent provocateur, to shake things up. So I decided to change the title of my talk to *9.5 on the Richter Scale*, so you'll know right from the outset that I'm trying to shake you up.

And if I don't say at least 2 things that you disagree with so much that your blood pressure goes up, then I won't feel that I have done my job.

I am very humbled to be here speaking to you today. The organization I work for, and the nonprofits we work WITH, are the foot soldiers of the nonprofit sector. And I find myself here today talking to the colonels and the generals and the senators. I appreciate, though, your asking one of the foot soldiers to talk to you. The organizations that we teach in our workshops and that we consult to, are less protected than the foundations, the research institutes, the collaboratives, the initiatives, and the other secondary institutions which

increasingly seem to dominate the nonprofit sector. My thoughts today are drawn from our consulting and training work with the homeless shelters, the AIDS clinics, the all-volunteer family support organizations, and the urban environmental advocates, who, like windsocks, stir at the first breezes when the insider institutions haven't yet felt the wind.

There are perhaps 15,000 nonprofit organizations in the Bay Area (difficulty with definitions makes it hard to be precise). If we imagine each organization as a building, we can take an imaginary walk through the city of the Bay Area nonprofit sector. Walking down the streets of this city, we'll pass just a very few skyscrapers, a fair number of five to ten story buildings, hundreds of apartment buildings and homes, and thousands of cottages.

So as we stand in the middle of this city, imagine now that you hear a rumbling sound. That sound is the sound of an earthquake bubbling up through the bedrock and about to roll through this city. Which buildings

will survive? Which will fall, enabling new ones to be rebuilt quickly and even better? Which won't fall but be damaged so that tearing them will be even more expensive and painful than if they had simply collapsed? And who will be hurt as buildings sway and collapse in the earthquake?

I want to talk today about three earthquakes that are rumbling up through the bedrock to the city of the nonprofit sector.

The first earthquake is the change in the labor force that is the paid staff and volunteer staff of the nonprofit sector. I want to tell you one small story about executive directors and one about Generation X.

We've just completed a study on executive director tenure in nonprofit organizations. One surprising finding was that one in every four executive directors are in the very narrow age range of 47 to 51 years old. Do those ages sound familiar? Clearly, executive directors overwhelming come from the leading edge of the baby boom.

Now combine that with the second surprising finding of this study: that for most people, being the CEO (executive director) of a nonprofit is a one-time event. We found that 2/3 of executive directors are on their first jobs in that position, and that only one quarter of them expect their next jobs to be nonprofit CEO jobs. Even more interestingly, only 14% of their predecessors went on to nonprofit ED jobs.

We hold regular luncheons for executive directors, often organized around themes, such as new executive directors, women executive directors, long tenured executive directors, etc. Our Training Director at the Support Center (now CompassPoint Nonprofit Services), a card-carrying member of Generation X, attended one recently as an observer. I asked him afterwards how he felt it had gone, and he told me how disturbed and depressed he was by how exhausted, embattled, and even bitter the comments had been. What surprised ME was that after hosting several of these lunches I wasn't the least surprised!

So, a crucial problem is that the baby boom leaders of the nonprofit sector are tired, and they want to leave their management positions for jobs at foundations, as consultants, and with government . . . all of which they legitimately see as easier, better paid jobs. We have, in fact, created a labor market where organizations have an extremely difficult time finding talented executive directors, development directors, and clinic directors, but we have an enormous oversupply of consultants and aspiring consultants. (I should talk, I work for a nonprofit consulting firm! And we get dozens of unsolicited resumes every week from people wanting to work for us)

Now for the story about Generation X.

A year ago two of the Gen X people on the Support Center (now CompassPoint Nonprofit Services) staff came up with the idea of starting a membership organization for young

people working in the nonprofit sector. We ended up helping them initiate the Young Nonprofit Professionals Network—YNPN—which only three months later had 300 members. Now YNPN has a Steering Committee, and monthly meetings frequently attended by more than 40 people. This amazes me.

As a baby boomer, when I was the same age as the YNPN members are, I was working in a nonprofit but I didn't think of it as a career. Like many of us who are now in senior positions at nonprofits, I was part of an activist generation that entered the workforce at the same time that federal dollars began to flow into the nonprofit sector at an unprecedented rate. In those days most of us wouldn't have identified with the label Young Nonprofit Professional. But in fact, the evolution of our own professional skills has been paralleled with the professionalization of nonprofit organizations

We weren't looking for career paths when we entered the workforce, and now we don't realize we need to create them in our organizations. And even when we know we need to, we don't know how and we lack the financial flexibility. In addition, Gen Xers are legitimately frightened by the battle fatigue they see in senior leaders.

In short: the baby boom leaders are frustrated, and attracted to infrastructure jobs in a way that is hollowing out the nonprofit sector. At the same time, Gen Xers are having a hard time figuring out how to succeed in organizations structured by baby boomers who assume that Gen Xers

are different only in age, not in generational culture. Earthquake preparedness for this earthquake means investing dollars in career paths and staff development: traditional "overhead" areas without short-term outcomes that foundations have been reluctant to support.

The second earthquake coming through the nonprofit sector is related to what I think of as the border wars with the other two sectors: government and business. The blurring of lines between the sectors isn't new, but there are some important new twists on it.

One new development is the degree to which we have all accepted an environment where all services will be provided by all sectors. Today young parents can choose to send their children to a preschool operated by a nonprofit, by a sole business owner, by a multi-state corporation, by a church, or by the government. We longer flinch either at the idea of going to a hospital run by a corporation, when hospitals were once the province of governments and nonprofits, nor are we amazed by our reliance on a private postal service, Federal Express.

But beyond our acceptance of cross-sector overlap, there is a new direction in cross-sector competition. I didn't used to worry so much about the blurring of distinctions among the sectors. That was because most of the change was taking place in the direction of nonprofits moving into arenas formerly reserved for governments and business. And frankly, I think we were doing a better

job than governments and business had been!

The delivery of public health services through nonprofits not only grew nonprofit organizations, but has made public health services much more compatible with the communities it needs to serve. It bothers Nabisco, but it doesn't bother me, that Girl Scouts is the third biggest cookie distributor in the United States. The biggest retail institution in southern Santa Clara County is the Gilroy Garlic Festival, a nonprofit staffed almost entirely by volunteers.

The new direction in cross-sector competition is that business and government are getting into the arenas that nonprofits and foundations have traditionally had to ourselves. Big corporations are getting into the business, and new, small businesses are emerging to do the work that nonprofits have traditionally done, and, because of the new acceptance of cross-sector lines, they are being successful. Nonprofits sometimes used to create subsidiary, for-profit businesses to help generate income to support their missions. Today, businesses are creating nonprofit subsidiaries to make them eligible for government contracts and foundation grants. Today Fidelity is competing with the community foundations for charitable dollars, and foundations are making grants to business firms (albeit often through tax exempt fiscal sponsors).

In other words, at just the same time that business is moving into arenas formerly reserved for nonprofits, foundations are making it more and

more attractive for individuals to do the same work, but outside the accountability to the board and to the public that confine nonprofits. I understand completely why foundations want to fund—buy—services where they find them to be the most effective, but these micro decisions are having a macro effect of undermining the unique capacities of the nonprofit sector.

Now on to the third earthquake.

Nine years ago a book was published called, "The Future of the Nonprofit Sector." The first essay sounds the alarm over what is called the "crisis of lost legitimacy." And that essay was written even before many of scandals and headlines of recent years.

We all know now about the loss of legitimacy of the sector, and the erosion of the moral high ground on which we used to stand. There used to be an assumption that being a nonprofit was a good thing. If someone complained about the way we did something, we said, "Well, but we're a nonprofit . . . ?!" There might be criticisms on individuals who profited from nonprofits or embezzled from nonprofits, but the *organization* itself was still understood as a place where good was being done.

We have long been ready and prepared for attacks from the usual quarters, from the federal government and from the far right. The enemies we know are Jesse Helms, cuts in federal spending, and the opposition specific to our fields, whether those who oppose family planning and reproductive rights, preservation of

the coastline, or what we sometimes see as our inalienable right to create art with public dollars.

What's *new* are the attacks from unexpected quarters: from activists who consider themselves champions of the clients we try to serve, and from labor unions.

We would never have expected that the extremist activists who would picket the annual dinner of the AIDS Foundation, or turn over tables at the luncheon for Project Inform, would be . . . NOT those who believe that having AIDS is a sin, but those who believe that the nonprofits fighting AIDS are the sinners. We would never have expected that the activists who oppose excessive salaries would target not the compensation in excess of \$1 million in the corporate sector, but Reverend Cecil Williams of Glide Memorial Church and Lonnie Hicks of Family Service Agency, both of whom have salaries just above or just under 100,000.

As unexpected as attacks have been from grassroots activists, we have also been unprepared for attacks from labor unions, traditionally the allies of nonprofits in many arenas (although not in all areas, such as affirmative action and environment).

We're just completing a study of unionization in the nonprofit sector, during which we identified approximately 25 union drives in Bay Area nonprofits, ranging in size from 450 employees to 7. In all but 2 of these efforts, the drives resulted in votes to recognize the union. In ALL of these cases, the drives resulted in

personal anguish, bitterness, divisiveness, heightened racial tension, and disillusionment on all sides, among staff, volunteers, and board members. One conclusion of our study: a union drive can have a remarkable ability to divide an organization against itself.

The point of all this is that we can't regain that lost legitimacy. In fact, that legitimacy had a hidden downside. When we were on that moral high ground, we didn't have to be taken that seriously. We didn't have enough money for accountability to be a big issue, and we were too unprofessional, too un-businesslike, to be taken seriously as a business threat.

We have grown from a village of small informal community organizations to a metropolis. We have grown institutions to a size where they have attracted the attention of labor unions seeking new markets away from a hostile market in business and a saturated market in government. We have discovered and enlarged markets (such as in environmental products, multicultural arts, alcohol rehabilitation) to the point where these markets are attractive to business.

Rather than understand these developments as a loss of legitimacy, we should understand them as signals of the coming of age of the nonprofit sector. We're all grown up now, and like it or now, we are being taken seriously. We will no longer be indulged, nor conveniently ignored, nor easily forgiven.

So can you feel that rumble now?
These three earthquakes: the generational revolution in the workforce, the border wars with government and business, and our own loss of innocence, are the earthquakes that are beginning to shake up and shake down the institutions of the nonprofit sector.

So what are we going to do about all this? Luckily, that's not my topic! That's the topic of everyone else who is speaking to you today. I would ask you, though, as you go through the rest of this conference, to consider the new ideas you'll be hearing and to ask yourselves which of these are ideas that will work in small niches, and which are ideas that will be the earthquake preparedness strategies that will work for the biggest portion of the nonprofit sector.

You probably already know organizations that have disgruntled staff because there are no career paths for them, and executive directors who have been knocked off balance by shifting relations with business and government.

In fact, many of the organizations we have now that are doing wonderful work, will collapse in these earthquakes. They will fail due to their inability to find excellent leadership both on staff and on their boards of directors. They will fail because they cannot stand up to the aggressive competition from other

nonprofits and from business and government.

Nonprofits are going to have to operate differently. And our leaders are going to need different skills and a different emotional strategy to succeed in the future. Those who donate to and support nonprofits need to support them now not only in dollars for programs, but in dollars that give the time and tools to prepare. Earthquake preparedness is expensive, and it doesn't result in any new square footage or a remodeled lobby or even anything you can see, and it goes by a word funders seem to be allergic to: "overhead."

I wish I could say I have bottled water and flashlights in my home. I guess after this speech I had better make sure I do. I hope you will, too.

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