

“Street Credentials and Management Backgrounds”

“Street Credentials and Management Backgrounds: Careers of Nonprofit Executives in an Evolving Sector.”

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Biographical Statement

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“Street Credentials and Management Backgrounds”

Abstract

Research on institutional form demonstrates that the nonprofit sector differs from other sectors both in its outputs (services and clients served) and in its inputs (staff and volunteers). However, the nonprofit sector is confronting a potential leadership deficit and mounting pressures to become more efficient and businesslike. To begin to assess how these tensions influence pathways to leadership, this study investigates the professional backgrounds and nonprofit experience of leaders in the sector. Analysis demonstrates that some leaders have management credentials and management experience, but many advance in the nonprofit sector through substantive experience alone. Even though some nonprofit executives have spent most of their careers in the public sector or the business sector, the study also demonstrates that a nonprofit ethic matters a great deal for leadership. These findings suggest that substantive experience and dedication to the nonprofit sector constitute primary pathways to leadership in the sector, raising many questions about managerialism and the evolution of leadership in the sector.

“Street Credentials and Management Backgrounds”

Introduction

Where will the next generation of nonprofit leaders come from?¹ Will leaders emerge primarily from the expanding number of management programs, or will they work their way up the nonprofit ladder and learn management skills along the way? Perhaps new leaders will be public administrators or business managers who decide to apply their skills to the nonprofit sector, or maybe the majority will be professionals with no management background and substantive expertise in areas like art, health and education? Though the number of nonprofits continues to increase, baby boomers and activist leaders from the social movement era are starting to retire, and surveys portend an impending leadership shortage, few studies analyze the diverse paths individuals take to become nonprofit executives (Kunreuther 2003; Harrow and Mole 2005; Bell et al 2006; Tierney 2006).

Besides broadening the discussion about the future of nonprofit leadership, research on the careers of nonprofit executives draws attention to the evolution of the sector and the new challenges that leaders face. The structure of nonprofit funding underwent significant changes in the 1980s, with nonprofits in many fields increasingly relying on commercial revenue, service fees, and other forms of earned income (Salamon 1993, 2002; Alexander et al 1999; Ryan 1999).² Nonprofits also began to emphasize

¹ Throughout this paper the term “nonprofit leader” is utilized to refer to the individual with the role of managing the organization. Nonprofit leader is preferable to executive director (ED) because some nonprofits have no executive director or are volunteer-based organizations managed by a board president.

² Some disagreement exists regarding the increasing reliance on program service revenue (Foster and Bradach 2005).

“Street Credentials and Management Backgrounds”

performance, efficiency, and evaluation much more than in the past, broadening their use of quantitative metrics to assess effectiveness and to respond to demands for accountability. Discussions of scalability, rates of return, and program replication became commonplace as well, and corporate concepts (such as venture philanthropy and social entrepreneurship) made deep inroads into the nonprofit sector (Eikenberry and Kluver 2004; Moody 2008).

Many books describe the strategies necessary for managing nonprofits in this complex and volatile environment, yet who actually leads these nonprofits and how leaders develop their skills remains unclear. Moreover, the implications of change in the sector have received little attention, and new management demands could alter the composition of leaders. From one perspective recent changes may just be part of the “tides of reform” that ebb and flow with time, leaving the basic composition of leaders intact (Light 2000). However, changes also could create institutional shifts that prohibit a return to the past, and the determinants of leadership could begin to change permanently (Fligstein 1987; Thornton and Ocasio 1999). As expressed in a recent overview of the sector, “commercialization may lead to profound cultural changes in the workforce of the nonprofit and voluntary sector, as a new generation of leaders enters these increasingly businesslike organizations” (Frumkin 2002, pg 151).

To address this issue, I develop a framework for analyzing the careers of nonprofit executives. Utilizing data from interviews with leaders of 200 nonprofit organizations from the San Francisco Bay Area, I argue that substantive professional backgrounds and

“Street Credentials and Management Backgrounds”

nonprofit experience give leaders necessary “street credentials” for leadership. While ongoing social changes have increased the salience of business practices in the nonprofit sector, management backgrounds have not supplanted traditional forms of legitimacy, raising many questions about managerialism and the future of leadership in the sector. The study begins by discussing institutional form and its relationship to leadership, and the second section analyzes professional backgrounds in the nonprofit sector. The third section investigates the specific role of nonprofit experience for achieving a leadership position, and the final section establishes a typology of leaders for addressing the leadership deficit and change over time.

Institutional Form and Leadership

Research on institutional form demonstrates that the nonprofit sector provides many services not available in the public sector or the business sector (for overviews see Clemens (2006) and Steinberg (2006)). Even in markets where public, nonprofit, and business providers exist, sectors tend to have an independent effect on the services provided and the types of clients served.³ Besides influencing a range of outputs, sectors also mediate inputs like employees and volunteers. Volunteers in the nonprofit sector vastly outnumber volunteers in other sectors, demonstrating that nonprofits are unique in attracting large numbers of participants for social and civic reasons. In addition, various studies have found that managers in the nonprofit sector earn less than managers in other

³ Research on institutional form covers many different fields and even investigates distinctions within sectors (i.e. religious nonprofits versus secular nonprofits or traditional public schools versus charter public schools). For a comprehensive overview of research on hospitals and nursing homes see Schlesinger and Gray (2006). For education see Witte et al (2007). For day care and youth services see Mauser (1998).

“Street Credentials and Management Backgrounds”

sectors (Preston 1989; Leete 2000, 2001, 2006), and nonprofit executives have different motivations and incentives than their counterparts in business and government (Mirvis 1983, 1992; Roomkin and Weisbrod 1999; Ballou and Weisbrod 2003).

The expanding research on institutional form highlights distinctive aspects of each sector, and this work also establishes the reasonable expectation that leaders will vary by sector (Light 1999; Tschirhart et al 2008). In describing leadership in the human services, for instance, Smith (2002, pg 175) comments: “Historically, many nonprofit executives rose through the ranks and were often trained as clinicians. Over time, they gradually assumed more and more administrative responsibilities.” Nonprofit leadership involves a matching process with the board of directors, and leaders also are the public face of a nonprofit. Nonprofit leaders must be credible with clients, donors, and staff, and traditionally that credibility had little to do business skills (Young 1983, 1987). Though the nonprofit sector is diverse and covers a wide range of fields, the legitimacy of substantive backgrounds and dedication to the sector could extend well beyond the human services and provide “street credentials” for leaders.

The alternative to this perspective builds from recent evidence of sector bending and blurring boundaries between nonprofits and organizations in other sectors (Weisbrod 1998, 1998a; Dees and Battle Anderson 2003). Neoinstitutional theory argues that all organizations are fundamentally similar, and organizations in a field tend to become more alike over time (Meyer and Rowan 1977; DiMaggio and Powell 1983). While isomorphism might be most pronounced in fields where cross-sector contact is direct and

“Street Credentials and Management Backgrounds”

intensive, this research tradition suggests that the nonprofit sector will become less unique as nonprofits interact, compete, and collaborate with organizations in other sectors. In turn, sector bending has a variety of consequential implications for leadership, and Fligstein (1987) shows that institutional change contributed to the rise of finance professionals to executive positions in corporations. Similarly, as book publishing became exposed to market forces, management backgrounds became much more important for leadership than substantive experience (Powell 1985; Thornton and Ocasio 1999).

Because leaders are responsible for day-to-day operations in a nonprofit, they play an important role in balancing mission with resource demands (Frumkin and Alice-Clark 2000; Chetkovich and Frumkin 2003). If credibility for leadership is based increasingly on margins and business expertise, then management credentials and management experience should become widespread among leaders in the sector. By contrast, if substantive expertise and nonprofit experience are essential for leadership in the sector, then leaders with these backgrounds should remain dominant in the sector. Viewed as forms of credibility that can mesh or conflict, the careers of executives provide insight into leadership in the nonprofit sector. Before turning to the analysis of management backgrounds and nonprofit experience, I first describe the sample of nonprofits that forms the basis of the study on leaders.

Data and Methods

“Street Credentials and Management Backgrounds”

I analyze executive careers in a representative sample of 501(c)(3) charitable organizations from the 10-county San Francisco Bay Area.⁴ To recruit participants, a group of six researchers contacted nonprofits by mail and then followed up by telephone and email. Overall, we contacted 264 viable organizations in order to develop a sample of 200 operating charities, a 76 percent response rate. Though the San Francisco Bay Area is unique, our sample of organizations is reassuringly similar to the population of nonprofits in California (XXXX).⁵ To reduce some concerns about how much we can generalize findings beyond the Bay Area, in Table 1 we also compare some descriptive data about our leaders to a recent national study of leaders (Bell et al 2006).

[Table 1 about here]

As Table 1 demonstrates, the similarities for leaders are striking. The national survey includes 12 percent more women than our sample, but almost every other indicator is

⁴ We used population-level data for California to create the random sample, provided by the National Center for Charitable Statistics (NCCS). Organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Service code are charitable nonprofits and eligible to receive tax-deductible contributions. Operating organizations are the subset of 501(c)(3) nonprofits—distinguished from charitable funding organizations such as private foundations or public supporting organizations—that provide direct programs or services to clients and causes for the public benefit.

⁵ Our sample is reasonably similar to national numbers as well, but some differences exist (Boris and Steuerle 2006). For instance, 41 percent of our organizations are human services nonprofits and the national average is 35 percent, and 15 percent of our organizations are education nonprofits and the national average is 17 percent. A major difference is in the arts where the national average is 10.5 percent and we have 17 percent. The author thanks an anonymous reviewer for raising this point.

“Street Credentials and Management Backgrounds”

within a few percentage points. In both studies, about 90 percent of leaders have a bachelor’s degree, and over 50 percent have advanced degrees. Similarly, over 80 percent of leaders are white, and the distribution of ages is close as well. Nevertheless, a random sample of organizational leaders from the San Francisco Bay Area is likely to be unique. Further research on nonprofit leaders in other areas could corroborate or qualify the patterns presented below, and undoubtedly more work on the careers of nonprofit leaders is needed.

Though some patterns may reflect regional variation, our sampling approach enabled us to emphasize detail and breadth. We conducted confidential face-to-face interviews with leaders to learn about their careers and about issues of organizational founding, funding, management, governance, personnel, and external relations. All interviews utilized a standard protocol that we developed, and the protocol itself was tested and refined with 20 pilot interviews that also were drawn randomly. Interviews lasted approximately 90-120 minutes, and most were conducted at the offices of the nonprofits.

All recorded interviews were transcribed by a professional transcription service, and each interview was coded by the researcher who conducted the interview. Every effort was made to increase both interview quality and intercoder reliability throughout the process: full-protocol tests and spot checks were conducted, interview notes were circulated among the research group, weekly meetings were held to discuss interview and coding issues, and the protocols were annotated to guide interviewing and coding.

“Street Credentials and Management Backgrounds”

Each of the interviews began with questions about the career histories of our interviewees. Because we wanted to establish rapport with the leaders, we encouraged the participants to speak at length about their careers. As a result, the data on leaders are quite comprehensive, and our specific queries complemented the open-ended accounts they provided. Nevertheless, retrospective career accounts are not perfect sources of information, and we used database searches, organizational websites, and IRS forms 990 to corroborate and refine the data as much as possible. Overall, the data are well suited for assessing the professional backgrounds of leaders in the nonprofit sector and for addressing the extent to which a history of nonprofit experience is salient for leadership.

Professional Backgrounds in the Nonprofit Sector

Even though debates exist about where to locate or house nonprofit management programs, scholars and practitioners have been promoting management credentials for the nonprofit sector for several decades (O’Neill and Young 1988; O’Neill and Fletcher 1998; Mirabella and Wish 2000). Nonprofit management has been integrated into business schools, public management schools, distinctive nonprofit management programs, and even into specific fields (arts administration, health administration, etc.). Like business management programs, nonprofit management programs are becoming more common and graduating more students (see articles in NVSQ 2007).

However, of the 200 leaders interviewed just 25 have a management degree of some sort, including 9 with an MBA. Table 2 presents the complete data on the academic background of the nonprofit leaders in our sample, demonstrating that the vast majority

“Street Credentials and Management Backgrounds”

of leaders with advanced credentials have applied degrees in substantive fields. Even though over 50 percent of leaders have postgraduate degrees, most leaders pursue those degrees in fields other than management.

[Table 2 about here]

Our cross-section of leaders indicates that management credentials generally have not been necessary for attaining a leadership position in the nonprofit sector, and most nonprofit leaders learn how to manage an organization through professional development and other opportunities that arise over the course of their careers. Beyond the fact that management credentials are rare in the nonprofit sector, in many cases leadership has not even required prior management experience at all. Barely half (56 percent) of the leaders in our sample had any management experience before assuming their current position.

For example, the director of an arts organization stated:

I was not an administrator at all until two years ago when I took this position, and it was quite a stretch. I'd been with the organization for 12 years already so people were saying I could do it. I was like, no, no. My career trajectory was being a dance teacher, performer, you know. I had just sort of begun to transition out of doing a lot of performing. I wasn't performing as much as I had been but I danced professionally for 15 years [SP 287].

“Street Credentials and Management Backgrounds”

In this case the leader had no management experience before taking the position of director, but she had been involved with the organization for many years and understood the field of performing arts. Her background in the field and her reputation provided the street credentials she needed to become the leader of the organization, and this pattern is not limited to the arts. For instance, the leader of a human services organization dedicated to helping the elderly describes his transition to a nonprofit leadership role in the following manner:

I have a bachelor's degree in English, which doesn't necessarily help, but my background is that I worked for the State of California for 25 years as a physical trainer and I retired at 55. And the week I was retiring, I ran into a woman who is the oldest and the longest-running volunteer in this organization. She actually started this program. And I said I was retiring and she said, "Oh, no, you're too young to retire. I have just the job for you." So I thought about it and.... I've been working here three years, going on four [SP 129].

As with the previous example, this leader had plenty of relevant professional experience for the role but no management experience, suggesting that street credentials through substantive expertise provide a unique form of legitimacy for leadership in the nonprofit sector. Table 2 demonstrates that nonprofit leaders are highly credentialed, and their education compares favorably even to samples of corporate CEOs. For example, a study from 1983 found that about 45 percent of senior managers from large American corporations had a postgraduate degree (Useem and Karabel 1983). Of those leaders,

“Street Credentials and Management Backgrounds”

approximately 17 percent had an MBA, 17 percent had a law degree, and 10 percent had degrees in other fields. A much more recent study that sampled from college-educated executives of firms listed on the New York Stock Exchange (NYSE) found that 56 percent had a postgraduate degree (Gottesman and Morey 2006). Of those leaders, approximately 33 percent had an MBA, 14 percent had a law degree, and 10 percent had other postgraduate degrees. Even though management degrees are not the only pathway to leadership in the corporate world, these degrees have become a standard signal or proxy for business expertise (Sahlin-Andersson and Engwall 2002).

The fact that nonprofit leaders are as credentialed as elite corporate executives demonstrates that the sector does not suffer from leadership amateurism or a lack of educated applicants for executive positions. The salient differences are related to management backgrounds, and far fewer nonprofit leaders have management credentials. This fact suggests that credibility for leadership in the nonprofit sector involves much more than management experience, and the director of a human services agency reinforces this point when he describes his transition from the business sector. Even though he had a Master’s in Public Administration (MPA) and had worked in high-tech management for over a decade, he felt the need to reinforce his resume:

I knew that people weren’t accepting me immediately, with my management experience. So I had to fine process it [my resume]. I volunteered in quite a few places in Santa Cruz and I joined the board of directors of Big Brothers, Big Sisters, so I’ve been there about three years now. I then also began teaching classes for the community foundation to

“Street Credentials and Management Backgrounds”

nonprofits. And for the last three years I was an independent business and marketing consultant. I’ve worked for private sector clients to get paid and I also did pro bono consulting for non-profits. So that gave me sort of the connections and the background to then go for this job when it came up [SP186].

This executive director did not pursue a paid position as a leader in the nonprofit sector immediately after leaving his position in the high-tech industry. Instead, he volunteered at a human services agency and spent time getting to know the nonprofit community to bolster his street credentials. Besides demonstrating that substantive experience matters for legitimacy, the quote suggests that nonprofit experience has particular importance for leadership credibility. To address this topic in greater detail, the next section explores the relationship between experience in nonprofits and experience in other sectors.

Work Experience and the Nonprofit Sector Ethic

Leaders with applied credentials and expertise are more common in the nonprofit sector than leaders with management backgrounds, but the work experience of nonprofit leaders is not limited to the nonprofit sector. In housing development, for example, leaders might have experience in corporate development, city planning, or in nonprofit housing agencies. In some instances a leader could follow a straightforward career path in the nonprofit sector, starting as support staff for a nonprofit housing agency, working up to the management level, and then becoming an executive director. By contrast, a nonprofit leader also could move from a management role in a public housing authority to the

“Street Credentials and Management Backgrounds”

nonprofit sector, or the leader could move from for-profit construction to the nonprofit sector. In other words, many alternatives exist besides moving up the ranks from within the nonprofit sector.

While all alternatives to nonprofit experience seem plausible, if a “nonprofit ethic” exists and is important for leadership, then executives with experience in other sectors might not be very common. To assess the importance of nonprofit experience, Table 3 presents data on the career experience and management backgrounds of the leaders in our sample. The table demonstrates that most of the leaders have had prior experience in the nonprofit sector, but over half of the leaders have some experience in the business sector, and nearly half have some experience in the government sector. In addition, over 40 percent of leaders have spent most of their careers in the public sector or in the business sector, and over 20 percent of nonprofit leaders have had management experience in the business sector.

[Table 3 about here]

How do these numbers square with the idea of a nonprofit sector ethic? To begin with, over 60 percent of leaders either were hired from within their current nonprofit or from another nonprofit, and another 19 percent founded the organization they still lead. In addition, the table demonstrates that most leaders move from within the nonprofit sector, even if they had some experience in other sectors. For example, the executive director of

“Street Credentials and Management Backgrounds”

a housing organization moved into lower management in the nonprofit sector from a government position, and she eventually was promoted up to the leadership role:

My first real job out of graduate school was for the City of Santa Barbara in community development, an emerging community development position. It was in the early years of the formation of the Community Development Block Grant (CDBG) Program, the new federal program....And we gave grants to nonprofit housing organizations. So I was in that for about five years, and then I left to be a project manager at Good Housing. And when my boss left, I took over for him as executive director [SP 5210].

Though this case is representative of many leaders who transitioned from other sectors, almost 20 percent moved directly from the business sector or from government into a top executive role. In some instances, individuals simply have the necessary qualifications and their prior sector of employment is irrelevant. For example, the leader of an organization that provides health insurance plans said “I worked for over a dozen years for State Government. And then I received a phone call that said, ‘You’ve had a lot of experience, you know this, can you come on over and help us run this purchasing pool?’” [SP 56]. This type of transition represents a smooth and straightforward case of transferable skills, demonstrating that relevant experience sometimes can outweigh or overcome street credibility in the form of nonprofit dedication.

“Street Credentials and Management Backgrounds”

For most individuals who transition directly into nonprofit leadership from another sector, however, the story is much more complicated. In one case, the executive director of a fishing organization left his own construction business to become the full-time director of the organization. He said “I have no background in running a nonprofit. I just took this on, because if it wasn’t for me the organization wouldn’t be here. It was going to go away” [SP 5]. This quote gives the impression that the leader simply jumped from his business to nonprofit leadership, but he had been on the board of the organization for many years and had a great deal of experience with fishing. Perhaps his experience on the board was not relevant to being hired as the executive director, but this case is fairly typical for individuals that move directly into nonprofit leadership from another sector. Even when leaders have not worked in the nonprofit sector, they tend to have relevant volunteer links or substantive ties that provide additional credibility for nonprofit leadership.

The anecdotes from leaders and the descriptive statistics from the sample indicate that nonprofit experience usually does matter for credibility. Although a nonprofit sector ethic is far from monolithic, and relevant experience (either applied or managerial) can be transported from one sector to another, a background in nonprofits provides legitimacy for executives. In the majority of cases leaders work their way up from within the nonprofit sector, and leaders who transition from other sectors tend to start in nonprofit positions other than executive management or volunteer on boards to increase their legitimacy. Like substantive professional experience, an extensive history in the nonprofit sector constitutes a main pathway to leadership.

“Street Credentials and Management Backgrounds”

The Future of Nonprofit Leadership

The careers of nonprofit leaders draw attention to forms of credibility in the sector, and the 200 leaders we interviewed offer a detailed snapshot at one point in time. Findings suggest that substantive backgrounds and nonprofit experience provide important street credentials for leadership, and management backgrounds remain fairly uncommon.

Nevertheless, the increasing emphasis on efficiency and business practices could begin to have an effect on this pattern, and Table 4 provides some context for considering change over time.

If management has become a new dominant pathway for leadership in the sector, then younger leaders and newer leaders (recently hired) should have management backgrounds, and newer organizations also might be expected to reflect the current market context and hire leaders with management skills. Table 4 demonstrates that the youngest leaders have little management experience or university training in management, and management backgrounds are spread out by leader tenure and organizational age. The distribution of management backgrounds by nonprofit size and field does reveal important differences, however, and the distribution highlights the utility of analyzing the nonprofit sector as a whole. Although leaders with management backgrounds are reasonably common in the smaller nonprofit size categories, larger organizations are more likely to have leaders with management degrees. More importantly, a striking and disproportionately large percentage of leaders in health

“Street Credentials and Management Backgrounds”

organizations have management backgrounds, more than double the percentage for the arts.

Health organizations face a great deal of market competition, and the fact that they are the most managerial of all nonprofit fields is not entirely surprising (Schlesinger and Gray 2006). At the same time, leaders in all sectors recognize that their staff members are becoming much more professionalized and focused on business skills (Hwang and Powell 2009). For example, the leader of a housing organization commented:

There's just a ton of people coming out with actual degrees, educational degrees that give them a lot of experience. And with the experience they bring from school, while they may not be out there in the marketplace and doing the real deal, in school they are learning all the tools that they're going to need for financial analysis. They can run spreadsheets 16 different ways and understand all of those variables, and they understand the financing mechanisms and how they work [SP 9910].

The changes in the nonprofit sector are still relatively new, and they might just be starting to influence the distribution of leaders throughout the sector. As current executives retire, staff members with management backgrounds in all fields might be increasingly likely to become leaders.⁶ However, looking at the random sample of current leaders certainly suggests that traditional pathways to leadership remain stable in the nonprofit sector, and

⁶ Viewed in this manner, health organizations are the first to change because market forces are most pronounced in that field.

“Street Credentials and Management Backgrounds”

sector bending in career histories has been modest at best (Young 1983, 1987; Smith 2002). Building from prior sections and the quotes from our interviews, Figure 1 presents a typology of nonprofit leaders as four ideal types: the professional administrator, the social entrepreneur, the substantive expert, and the nonprofit lifer. Each of the cells constitutes a caricature or extreme, and most nonprofit leaders do not fit the descriptions perfectly. The dotted lines that separate the quadrants are intended to clarify that the boundaries or margins can be nebulous and resemble a continuum, meaning that some leaders in different quadrants share many commonalities. Nevertheless, the main asset of the typology is that it serves as a heuristic tool and establishes a context for considering changes in leadership in the nonprofit sector over time.⁷

[Figure 1 about here]

The Nonprofit “Lifer”

The most stereotypical leaders in the nonprofit sector are the lifers, the individuals who become involved in nonprofits as a vocation or as a calling. For example, the leader of a women’s organization commented:

It was being a single mother on welfare that made me create the organization and do this work....I was a homeless, battered woman, pregnant, and it was just horrible what I got put through. And I have

⁷ Nonprofit typologies are not unprecedented. Harrow and Mole (2005) created a leader typology based on paid philanthropists, careerists, and nonaligned. Young (1986) created an early typology of social entrepreneurs based on artists, professionals, believers, searchers, independents, conservers, and power seekers.

“Street Credentials and Management Backgrounds”

advantages. I'd finished high school, I'd had a few years of college. I was white. And it was the hardest thing I ever went through. So that's what led me to do this work [SP 220].

These individuals recognize a social problem that requires a solution, but they are less interested in management than they are in “hands on” involvement and direct work with clients. As a result, leaders who are nonprofit lifers usually work their way up to a top position over time in the sector or create a nonprofit before developing management expertise.

Nonprofit lifers also tend to view the nonprofit sector as a distinctive set of organizations with no alternative in other sectors. For example, the leader of a nonprofit providing youth services stated “I've never worked in the for profit world. Ever. I can't imagine what that would be like. So it's always been either with the church related program, or a tiny community based organization” [SP 107]. For these leaders, the nonprofit sector has some essential character that distinguishes it from other sectors, and becoming involved in similar work in other sectors never constitutes a realistic possibility.

The Substantive Expert

Substantive experts are individuals who have a great deal of experience or training in specific areas, and sector of employment has little salience for them. Substantive experts are likely to pursue academic credentials in subjects such as medicine, social work, education, or fine arts, and their dedication to a field of expertise minimizes their interest in management. While credentials are important to the substantive expert, these leaders

“Street Credentials and Management Backgrounds”

differ from nonprofit lifers primarily in how they view the nonprofit sector. For example, the executive director of a home for troubled youth told us:

In 1983, this agency was started by a gentleman who happened to be my supervisor when I was a young probation officer. When I retired in 1996 he asked me to come and be the director since I had spent about 18 years placing kids in groups homes [SP 293].

This leader is a very straightforward case of an individual who is an expert in his field. He had worked in the public sector throughout his career, and his first experience in the nonprofit sector was as an executive director. The fact that the organization was a nonprofit was of little consequence, and he took the position because it fit his professional background. Moreover, he had no management background before accepting the position, but he had dedicated his whole career to working with the clients the organization serves. Like the nonprofit lifer, the substantive expert tends to “discover” management rather than seek it out, but these leaders are not driven by a nonprofit ethic that ties them to the sector.

The Social Entrepreneur

Even though the nonprofit sector is as salient for social entrepreneurs as it is for nonprofit lifers, social entrepreneurs bring much more of a management focus with them to the sector (Dees et al 2001). Unlike leaders who develop management expertise once they move to an administrative track from applied or program-related work, social entrepreneurs approach nonprofit activity with an interest in costs and finances. In this

“Street Credentials and Management Backgrounds”

respect social entrepreneurship involves business plans and ideas about scale, replication, and sustainability, and management expertise precedes leadership.

For instance, we interviewed the leader of a human services organization who had worked in the nonprofit sector throughout his career. Shortly after finishing his undergraduate degree he decided to move from Ireland to pursue a credential in health administration, commenting:

At the time, even though there were great educational institutions, there really wasn't any Master's program that was a good match for somebody who wanted to pursue the administrative, let's say the MBA orientation in health care, or in the non-profit world [SP 75].

While the executive director has a great deal of substantive knowledge in mental health, his business focus and his management training distinguishes him from the substantive expert. Similarly, his managerial orientation differentiates him from the nonprofit lifer, and his dedication to nonprofits also separates him from the classic executive.

The Professional Administrator

The final ideal type is the professional administrator, a leader with business acumen and a willingness to work in multiple sectors. Professional administrators have skill sets that are similar to those of social entrepreneurs, but they may have little background with nonprofits before becoming leaders in the sector. In one clear case, we interviewed an executive director who had been the CEO of a for-profit hospital before transitioning to the nonprofit sector. He described his switch to the nonprofit sector in the following

“Street Credentials and Management Backgrounds”

manner: “I met a person who was on the board....while I was working with the for-profit and he asked me ‘would you be interested in applying for this job?’ and so I said, ‘Oh, sure, let me look at it.’ And that’s how I got involved.”

Unlike individuals who ascribe to a nonprofit ethic that narrows the types of jobs they seek and accept, this leader demonstrates that sectors can be inconsequential for employment and career choices. The executive director of a senior housing nonprofit we interviewed dramatizes the ideal type of the professional administrator even more. She had an MBA and had worked as a mortgage broker for many years before taking the nonprofit position, stating:

I had been doing volunteer work and had been on a non-profit board and then I thought, ‘Let’s see if I can use my experience and get a paid position.’ And so that’s how I ended up coming here. And also I was interested in affordable housing. My previous experience on boards had been with a housing organization that worked with low-income, at-risk for homelessness or homeless families [SP 118].

The executive director certainly cares about her work, and she increased her credibility through her volunteer work on nonprofit boards, but her career history differs noticeably from the careers of leaders in other areas of the typology. Unlike the nonprofit lifer who has an unequivocal dedication to the sector, the social entrepreneur who combines a nonprofit ethic with business approach, or the substantive expert who has a long history in a field regardless of sector, the professional administrator brings business acumen to a nonprofit without any particular commitment to the sector itself.

“Street Credentials and Management Backgrounds”

These four ideal types highlight potential careers of leaders in the nonprofit sector, and the typology in Figure 2 presents a frame for analyzing many consequential questions. For instance, do professional administrators and social entrepreneurs lead differently than substantive professionals or nonprofit lifers (Hwang and Powell 2009)? If management backgrounds become increasingly common among leaders, will this trend contribute to sector bending and the institutionalization of a “single mind set” in the sector (Galaskiewicz 1985)? Are managerial leaders as likely to focus on civic engagement and advocacy as substantive professionals and nonprofit lifers (Alexander et al 1999; Eikenberry and Kluver 2004)? Finally, are nonprofits more likely to survive and grow if they are directed by social entrepreneurs and professional administrators? Each of these questions deals very directly with the relationship between leadership and activity in the nonprofit sector, and the careers of chief executives also provide an opportunity to explore the issue of a leadership deficit.

One of the major findings from our study is that current nonprofit leaders are extremely credentialed, perhaps even more credentialed than their counterparts in other sectors. Nonprofit leaders are not amateurs whose skills compare unfavorably to leaders in other sectors, but nonprofit leader backgrounds tend to come from fields other than management. Nevertheless, under thirteen percent of the leaders in our sample have a management degree, and barely half of the leaders had any management experience at all before taking a leadership position. If arguments about a leadership deficit are based

“Street Credentials and Management Backgrounds”

primarily on the need for management expertise among leaders then those arguments have merit, but the implications are unclear.

Quotes from our interviews suggest that substantive expertise provides street credentials for leadership. Leaders represent their organizations for many stakeholder groups, and legitimacy with diverse audiences and constituents is a major concern. As a result, some boards may prefer substantive professionals to *just* managerial professionals because of the symbolic role that leaders play in representing organizational mission (Bolman and Deal 2005). Most nonprofit leaders have a great deal of nonprofit experience as well, indicating that a nonprofit ethic also provides street credentials for leadership (Tschirhart et al 2008). If a nonprofit ethic is important for legitimacy then “importing” leaders with management experience directly from other sectors might not be straightforward, particularly if salaries remain far lower for nonprofit executives. For these reasons a management deficit certainly warrants discussion, but concerns could be overstated (Salamon and Lessans Gellar 2007).

At least part of the explanation for the lack of management backgrounds in the nonprofit sector is a supply-side issue – some nonprofits are unable to hire individuals with management expertise because they do not apply (Tierney 2006). However, with the increasing number of students graduating from management programs, more individuals with management credentials may begin to seek work in the sector in spite of salary disparities. Over 80 percent of the leaders in our sample either founded the organization they currently lead or were promoted from within the sector. Many leaders who are baby

“Street Credentials and Management Backgrounds”

boomers plan on retiring or changing jobs in the next few years, and these transitions should eliminate bottlenecks and provide opportunities for aspiring leaders (Bell et al 2006; Kunreuther et al 2009).

Even if nonprofit experience and substantive knowledge are important for legitimacy, future nonprofit leaders might combine a substantive degree with a management degree, and substantive professionals and nonprofit lifers might take professional development courses in management (Hwang and Powell 2009).⁸ Furthermore, the lack of leaders with management backgrounds even raises the issue of the relevance of those backgrounds. Arguments about the differences between managers and leaders abound, yet empirical research has not assessed the effects of management backgrounds on financial and mission-related outcomes in the nonprofit sector. Unless professional administrators and social entrepreneurs are somehow more effective than substantive professionals and nonprofit lifers then the leadership crisis could be overstated.

In sum, greater research is needed for answering questions about a leadership deficit, but the careers of leaders provide a novel source of data for studying the evolution of the nonprofit sector. Nonprofits have changed dramatically in the last few decades, with an increasingly intense focus on effectiveness and efficiency. Simultaneously, many of the baby boomers that have run nonprofits during this time are beginning to retire. These changes present a major challenge for the nonprofit sector, but they also are a tremendous opportunity. Our cross-section of leaders in the San Francisco Bay Area indicates that

⁸ The author thanks an anonymous reviewer for raising this point.

“Street Credentials and Management Backgrounds”

substantive expertise and nonprofit experience provide legitimacy for leaders, but many avenues exist for incorporating management into nonprofit leadership. Future work can provide a comparative perspective for our findings while also considering change over time and its implications for leadership.

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“Street Credentials and Management Backgrounds”

Table 1. Basic Characteristics of Nonprofit Leaders

	National Survey	San Francisco Bay Area
	Percentage	Percentage
<i>Gender (N=200)</i>		
Male	34	46
Female	66	54
<i>Race (N=197)</i>		
White	82	85
Black	7	5
Asian	4	6
Latino	4	2
Other	3	1
<i>Age (N=194)</i>		
Under 40	18	10
40-49	25	34
50-59	41	41
60+	16	15
<i>Education (N=194)</i>		
Less than College Degree	6	11
College Degree	94	89
Advanced Degree ¹	62	51
Sample Size	1932	200

Source: Bell et al (2006)

Note: The national survey was not a random sample. Some numbers may not add up to 100 percent due to rounding. Leader ages are approximations.

¹Advanced degrees refer to any degree beyond a bachelor’s degree.

“Street Credentials and Management Backgrounds”

Table 2. Advanced Credentials of Nonprofit Executives

	Total	Percentage
<i>Leaders with Advanced Credentials (N=194)</i>	99	51
<i>Total Credentials Beyond Bachelor’s Degree¹</i>	124	
Leaders with Advanced Management Credentials	25	13
Management Degrees	28	
Business Administration (MBA)	9	
Public Administration (MPA)	5	
Nonprofit Administration (MNA)	4	
Organization Studies	3	
City Planning / Urban Planning	2	
Mental Health Systems Administration	2	
Other ²	4	
Leaders with Other Advanced Credentials	84	43
Applied Degrees	96	
Education	18	
Counseling	10	
Arts (Theatre/Drama/Music/MFA)	10	
Juris Doctor (JD)	7	
Public Health (MPH)	5	
Social Work (MSW)	5	
History	5	
Divinity	4	
Engineering	4	
Anthropology	4	
Psychology	4	
Physical Therapy	3	
Chemistry	3	
Speech Pathology	2	
Dentistry	2	
Other ²	10	

Note: Doctorates are integrated into all of the categories; 16 have a PhD or equivalent.

¹Many individuals have multiple advanced degrees.

²This category includes academic fields with just one degree awarded.

“Street Credentials and Management Backgrounds”

Table 3. Professional Experience of Nonprofit Leaders

	Total	Percentage
<i>General Experience (N=197)</i>		
Nonprofit	129	65
Government	89	45
Business	115	58
<i>Primary Sector Experience (N=189)</i>		
Nonprofit	111	59
Government	24	13
Business	54	29
<i>Management Experience (N=195)</i>		
Prior Management Experience, General	110	56
Prior Management, Government	12	6
Prior Management, Business	40	21
Prior Management, Nonprofit	76	39
Prior Executive Director	48	25
<i>Pathway to Current Leadership Position (N=188)</i>		
Founder	36	19
Promoted Up in Current Nonprofit	73	39
Hired from Inside Nonprofit Sector	45	24
Hired from Outside Nonprofit Sector	36	18

Note: Some numbers may not add up to 100 percent due to rounding.

“Street Credentials and Management Backgrounds”

Table 4. Managerialism (Management Experience or Management Credential), by Characteristics of Leaders and Organizations

	Individuals or Organizations	Managerial (N=116)	Percentage Managerial
<i>Leader Age (N=194)</i>			
Under 40	19	5	26
40-49	66	42	64
50-59	79	46	58
60+	30	20	67
<i>Leader Tenure (N=191)</i>			
0-2	63	34	54
3-5	39	26	67
6-10	42	27	64
11-20	32	17	53
21+	15	7	47
<i>Org Age (N=200)</i>			
0-5	35	19	54
6-10	41	26	63
11-20	45	29	64
21-30	40	21	53
30+	39	21	54
<i>Org Sector (N=200)</i>			
Arts	34	12	35
Education	30	12	40
Environment	11	7	64
Health	21	18	86
Human Services	82	52	63
Other ¹	22	15	68
<i>Org Size (N=200)</i>			
0-49,999	38	21	55
50,000-99,999	27	13	48
100,000-249,999	45	17	38
250,000-999,999	39	28	72
1,000,000+	51	37	73

Note: Some numbers may not add up to 100 percent due to rounding. Leader ages are approximations.

¹Other refers to the three remaining major nonprofit fields: religion, public benefit, and international.

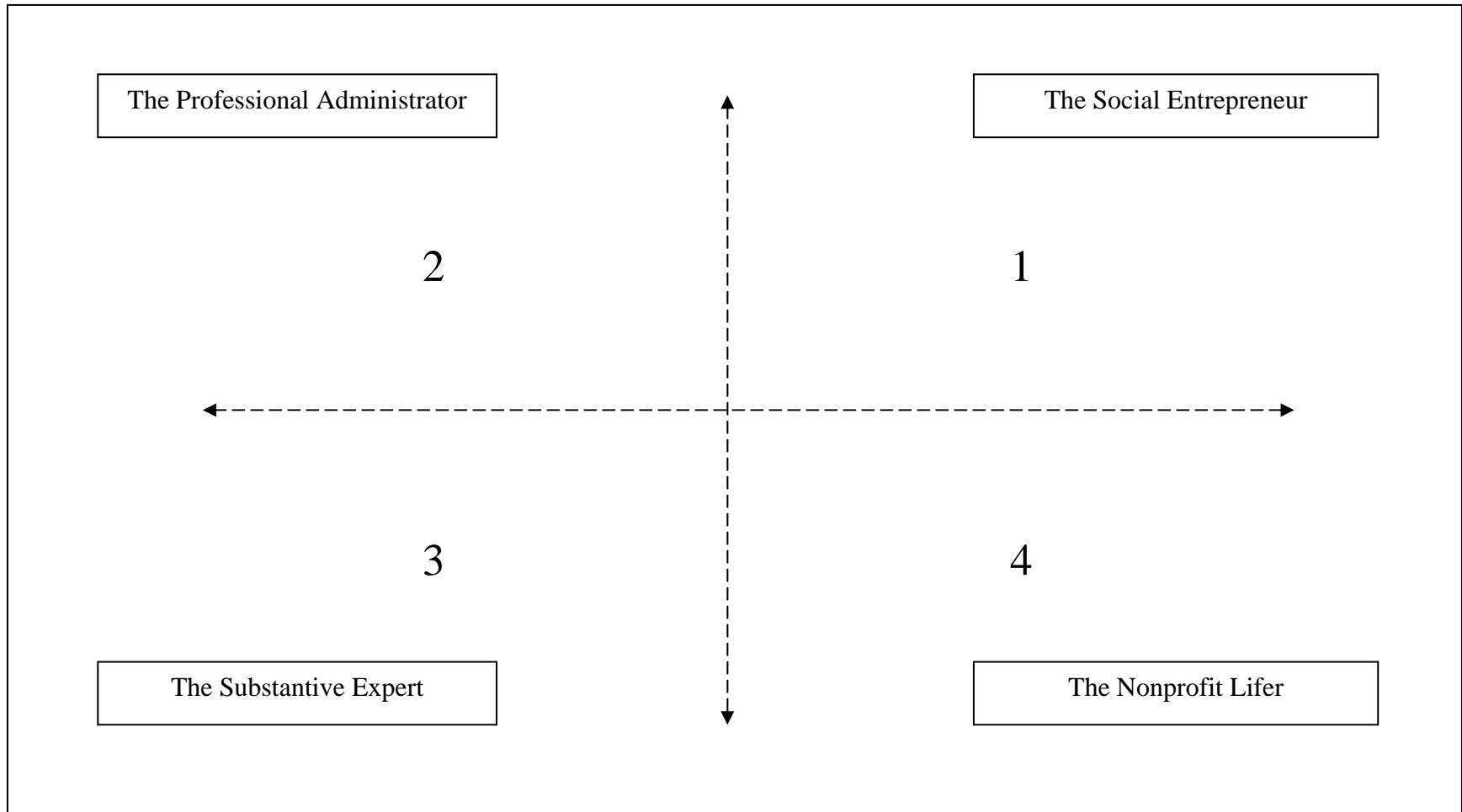


Figure 1: Typology of Leaders in the Nonprofit Sector