

WHAT A DIFFERENCE A DIFFERENCE MAKES?

An Overview of the Comparison Research Studies of Nonprofit Leaders and Their Organizations: Professional and Situational Influences on Leader and Organizational Effectiveness

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ABSTRACT

“The chief executive is pivotal and essential, and the future of the nonprofit sector depends on the ability of nonprofits to attract and retain talented and visionary chief executives who have a clear understanding of their role and who perform it well.”

(Moyers, 2006: 30)

A leadership crisis in the nonprofit sector looms. “Crossovers” from the *for* profit sector present an alternative source of CEO talent but a dearth of empirical research about sector boundary crossing has limited our understanding about the effects of leader origin on organizational performance. Twenty-one in depth interviews with crossover CEOs and those hired from within the nonprofit sector revealed similar rather than dissimilar transition entry processes and early work approaches. We further surveyed 631 leaders who had crossed one to three boundaries – sector, organization and/or position – into top U.S. nonprofit jobs. Our analysis of combinations of leader experience including sector path, recent origin and role shift again revealed – regardless of boundary – striking similarities rather than stark differences in how nonprofit CEOs lead. However, the effects of leaders’ sector experience and diversity of experience on behavioral repertoires and organizational culture were significant, suggesting variety of experience trumps single sector experience (whether for-profit or nonprofit) as the most salient criterion for nonprofit CEO selection. Implications for practice and recommendations for future research are noted.

Note: The discussed research proposal and studies represent the doctoral research work conducted at the Weatherhead School of Management, Case Western Reserve University under the research advisor team of Dr. Paul F. Salipante and Dr. Sheri J. Perelli, both of Case Western Reserve University and Dr. Antoinette M. Somers of Wayne State University.

INTRODUCTION

A leadership crisis is portended for the nonprofit sector (Tierney, 2003; Bridgespan, 2009), forcing organizations to make non-traditional leadership choices by considering executives from the *for* profit sector. Recent research confirms the willingness of business professionals to cross over into the non-profit sector (Bridgespan, 2009). Media coverage about high profile *for*-profit crossover moves is frequently accompanied with commentary about a perceived beneficial infusion of greater professionalism and skills into the sector. However, given some of the key differences between the two sectors, concerns have been raised about whether or not the crossover executive (aka crossover) is a viable source of leadership talent and whether growing numbers of crossovers into the sector may ultimately make an organization or the sector less mission-focused. Despite the escalating crossover trend, in depth analysis of nonprofit leaders and, in particular, comparative studies based on prior sector origin are nonexistent. Our research was aimed at filling this research gap.

We conducted both qualitative and quantitative studies that shared a common research focus. Together they provide a comprehensive, data rich assessment of nonprofit leaders from two perspectives – their transition into the leadership role in a new organization and the pre and post-arrival factors and influences that shaped their leadership behaviors as they moved beyond transition. Further, based on these factors and influences, our research provides an empirically-based assessment of the similarities and differences between the crossover leader and his/her within-sector counterpart. Our qualitative research aimed at understanding what the new nonprofit leader actually does in adapting to the role in a new organization while our quantitative research was aimed at understanding the leader’s behavioral choices in effecting the dimensions and demands of the role and how situational differences impact that behavior.

A conceptual paper describing our theoretical framework and research proposal, “Bridging the Sector Divide: How *For Profit* Executives Become Effective Nonprofit CEOs,” drew widely from theories of career management, adult learning, upper echelons, personal and organizational socialization, and social practices and routines. It served as a departure point as well as effectively informed and framed our subsequent empirical research.

The research questions emanating from this theoretical analysis and grounding our qualitative study asked, “What is the nature of the transition from for-profit to nonprofit leadership that results in becoming an effective nonprofit CEO? How is the transition similar or different for those that cross over into the sector from those coming from within the sector?” Semi-structured interviews were conducted, followed by rigorous, thematic coding as well as a categorical analysis of both respondents and their organizations. From this study we learned that the transition process was not vastly different based on a leader’s prior sector origin. Rather, factors such as the magnitude of change associated with the new role and the strategic condition of the organization drove differences in early work efforts. We also found that leaders shared more similarities than differences in their transition process. Our study entitled “Outsider to Insider: Contrasting Routes and Transitions of New Nonprofit Leaders”, describes our qualitative research findings and interpretation in greater detail.

The second study describing our quantitative research findings and interpretation, “Boundary Crossing: Professional and Situational Influences on Nonprofit Leaders and Their Organizations,” significantly widened the aperture of our analysis of nonprofit leaders beyond their transition into the role. Realizing that origin was an insufficient differentiator of leaders during their transition, we sought to understand if origin became significant across a larger, more diverse group of leaders and across diverse nonprofit organizations. Using the Competing

Values Framework (Cameron & Quinn, 2005) we specifically examined the behavioral repertoires – i.e., strength and diversity of a variety of roles skillfully applied – of leaders and their culture assessments of their organizations. Using advanced statistical techniques, we analyzed components of a leader’s career background prior to assuming his/her current role. Borrowing a term from the career literature, these career components – sector path, recent sector origin and role shift - were considered boundaries that the leader crossed. Each – individually and combined – were assessed within the situational context and variations of the leader’s tenure in the current role and size and strategic condition of his/her organization. As evidenced in our qualitative study, rather than stark differences emerging between leaders, we again found striking similarities. However, the impact of a leader’s nonprofit sector experience *and* diversity of experience on his/her behavioral repertoire and culture assessment was important, suggesting a potentially salient criterion when selecting leaders as well as developing future leaders.

While full versions of each study are available both studies and the conceptual research proposal that preceded them are summarized below. We conclude with implications of our research for practice.

SUMMARIES OF RESEARCH PROPOSAL AND STUDIES

Theoretical Framework and Research Proposal

Our research was motivated by three goals: to understand the organizational socialization process of a nonprofit leader when assuming the role as well as the impact of that leader on the organization; to understand the potential impact of leader selection and situational context on the leader’s transition process; and to discern origin-based transition differences between leaders. To establish and situate a conceptual model based on extant literature we cast a wide

net. Ultimately the theories that guided our qualitative and quantitative studies were drawn from career theory, professional and organizational socialization, and upper echelon theory. Most of the prior research in these domains has been in the *for* profit sector. However, to echo a view from Collins (2005), great leadership transcends sectors. As such, we deemed these core theories applicable to the nonprofit sector and appropriate to anchor our research.

To further understand the role requirements we also examined and reconciled into four dominant dimensions three nonprofit leader models in the current literature: vision and strategic planning, board functioning, external stakeholder relations and visibility and leading the organization. These four dimensions emanated from exploratory interviews with nonprofit leaders who had moved into the role from both for profit and nonprofit positions within the last five years.

Absent extant nonprofit leader comparison studies, our research was more problem-focused than theory-proving. Our literature review confirmed that career transition processes are complex and proceed in phases over time and that career transition risk is high when hiring from the outside: the incumbent is less likely to succeed than an insider. Adaptation needs and risks are greater when the scale and scope of the role change are greater for the new leader. Research has also revealed that while adapting, the leader is also making change in the organization, especially within with the first three years of tenure. We wondered if the transition path to effectiveness for the crossover leader – where sector, organization and, at times, role represent boundaries being crossed – is different from that of the within-sector leader.

Leader selection is driven by, among other factors, the strategic needs of the organization where an alignment is sought between those needs and the perceived abilities of the leader. The strategic condition creates an operating environment wherein the new leader will

feel an immediate need to display the “exact orientation for which he/she was selected” (Hambrick & Fukutomi, 1991: 722). We sought to understand the influence strategic condition may have on a leader.

Our conceptual framework resulted in a series of research questions intended to illuminate how nonprofit leaders established themselves in a new organization and to discern factors that differentiated their performance. Given well understood sector differences (e.g., board composition/structure, governance, volunteers, diffused power structures, etc.) we considered that differences might emerge between crossovers and within sector leaders.

The Qualitative Study

Knowing that organizational socialization and a leader’s change agenda are strongest during the first three years of tenure, our qualitative research study aimed at revealing if differences in boundaries crossed by leaders, combined with organizational characteristics, accounted for differences in transitions. Twenty-one nonprofit Chief Executive Officers (CEOs) and Executive Directors (EDs) in those roles from one to three years participated in semi-structured interviews. Thirteen were crossovers from the for-profit sector and eight were long-term nonprofit sector professionals. Both groups included leaders for whom the role was a promotional career move and, for others, a lateral career move (i.e., role shift). Leaders promoted to the role from within the organization were specifically excluded from this phase of research. To promote the generalizability of our findings, the organizations were diverse. The crossover executives were identified and interviewed first; the remaining sample of within sector leaders was developed to mirror to the extent possible the types and sizes of organizations headed up by crossovers.

Fourteen of the interviews were conducted in person and seven by telephone. All interviews, approximately one hour in length, were recorded and professionally transcribed. Given the narrow tenure band of one to three years, the interview protocol was structured around the leader's one year anniversary and his/her recall of entry conditions, challenges, changes, work goals and successes experienced in the first year. Probes were geared to identify differences in years two and three as well as the leader's rationale for taking the role. An open coding process yielded more than 1000 codable moments and 35 subthemes aggregated into eight main themes: self identity, career change trigger, role opportunity, mission affinity, orientation phase (defined as first three to six months), key relationships, initiatives and outcomes and assessment by self and from others of perceived role success. Throughout, we maintained a dual analytic approach: comparing responses *within* source type and tenure (e.g., crossovers in year one compared to crossovers in year two) as well as comparing responses across source type and tenure (e.g., crossovers in year two compared to within sector hires in year two). In addition to coding, we examined respondent and organization demographics to discern patterns. Our analysis revealed, contrary to our early thinking, that not all crossovers transcended three boundaries (sector, organization and role); for many the role was a lateral shift and equivalent to their prior *for* profit position. This revelation ensured that within sector leaders moving laterally were also included in our sample.

Our findings were somewhat contrary to expectations but consistent with the literature on personal and organizational socialization and upper echelon theory. Origin, also frequently referred to as source (for profit or nonprofit sector) of the nonprofit leader was less relevant than the organizational factors and career pattern (combination of experiences) in the early change behavior of the leader. The strategic condition of the organization was one of the more

important situational determinants. For example, the crossover executive for whom the move was a promotion was more likely than his/her within sector promotional counterpart to be more operationally rather than strategically focused. However, by widening our analysis to include the leader-described strategic condition of the organization upon entry, crossovers for whom the move was lateral generally had a strategic work focus *unless* the strategic condition of their organization necessitated a level of more operational urgency. Further, regardless of boundaries crossed, the actual entry strategies of all leaders were strikingly similar. Their knowledge transfer process was generally centered on “listening and learning” while commencing staff assessment and establishing work priorities based on current and projected organizational needs. Almost all made key staffing changes with outside hires to either ratchet up skill levels and/or add capacity. Both types cited reliance on board, key senior staff and people outside the organization as sources for advice and counsel; those from within the sector relied more on senior staff while crossovers relied more on key board relationships. Further, the sense of being an insider in the organization occurred with the same frequency and timing for both groups – albeit for potentially different reasons.

The data suggested two significant differences between types: crossovers experienced a stronger sense of personal change vis-à-vis their prior role even if the move was lateral. Within sector leaders made the career move intentionally, while for crossovers it was more often a result of random circumstances.

Regardless of origin, our respondents shared a remarkably similar transition experience, leading us to consider the complexity of the “succession-transition-performance” (Kesner & Sebor, 1994) equation. Accordingly, our subsequent quantitative study aimed at widening the aperture on nonprofit leaders to determine if our findings about origin held constant across a

larger group of nonprofit leaders in diverse organizations. We also sought to understand if it was number and/or type of boundaries crossed that had the greatest influence.

The Quantitative Study

We examined nonprofit leaders' behavioral repertoires within the context of their prior socialization before stepping into the position as well as influenced by time in the current role and the strategic condition and size of their current organizations. To accurately capture a leader's career trajectory, we defined origin more specifically, considering *sector path* (where the leader had spent the majority of his/her career), *recent origin* (where the leader had been immediately preceding his/her current role – including, unlike our qualitative study, leaders from within the *organization*) and *role shift* (whether or not the role represented a promotional or lateral shift in responsibilities). Strategic conditions were defined as start-up, growth, maturity, merger and turnaround situations; leader tenure encompassed less than a year to greater than ten years in the current role; and size of the organization was defined by a revenue range of less than one million to greater than 25 million.

While our qualitative inquiry focused on the actual work that a leader pursued during the first one to three years in the new organization, our quantitative work targeted their self-assessed on-the-job behaviors to fulfill the dimensions of the role requirements. Further, we examined how leaders assessed the culture of their organization through the lens of their behavioral repertoire. Our unwavering interest was in determining differences in leaders' behavioral repertoires and culture assessments based on where they had spent the majority of their careers. Specifically, we asked, are crossover executives a viable source of leadership talent for the nonprofit sector?

Our inquiry was grounded in the well recognized and rigorously tested Competing Values Framework (CVF) developed in the early 1980's (Cameron & Quinn, 2007) and updated to include recent behavioral repertoire role refinements made by Lawrence, Lenk and Quinn (2009). At its core, CVF recognizes the inherent complexity in value creation – that of simultaneous harmony and tension – in the structure and relationships of both organizations and leadership. Two dimensions form the basis of four quadrants for CVF: structure as defined as flexible and stable and relationship focus as defined by internal and external. Each of the four resultant quadrants – Collaborate, Create, Compete and Control – represents elements and orientations unique to value creation. A leader's behavioral repertoire consists of twelve roles across the four quadrants (three roles per) with complementary *and* contrasting behaviors to both lead *and* manage the organization. Rather than display strength in select roles and/or quadrants, an effective leader is behaviorally *balanced* by achieving at least average skill across the twelve roles and is able to diversify his/her behaviors depending on situational needs. A behaviorally *complex* leader, however, displays *higher* skill level assessments across all roles.

Because careers cause organizational effects (Arthur, 1994), our research included how nonprofit leaders assess the cultures of their organizations. The CVF is both an empirically sound measure of behavioral repertoire *and* organizational culture. However, unlike the behavioral repertoire where balance is necessary for leader effectiveness, the culture profile of an organization may reflect emphasis on specific quadrants over others based on the organization's life cycle, strategic condition or other situational factors. We sought to understand the linkage and alignment between leaders' prior socialization, behavioral repertoire and assessment of organizational culture.

We hypothesized that nonprofit sector experience (sector path and recent origin), a lateral rather than promotional career move, and longer role tenure would be evidenced by a comparatively higher, more balanced behavioral repertoire assessment and a more balanced assessment of organization culture. Further, we believed that a more stable strategic condition (defined as growth and maturity) would result in higher, more balanced behavioral repertoire and organization culture assessments because the leader would experience no urgency of action that might result in disproportionate reliance on some roles and quadrants and not others. In larger organizations the leader is more isolated and apt to have filtered perspectives about the culture; hence, we hypothesized that leaders of larger organizations would assess their behavioral repertoire as higher but were at a disadvantage to assess the culture. Using a mixed mode (web and mail), 3 part, 95 question instrument, we surveyed 631 nonprofit CEOs and EDs from diverse types and sizes of nonprofits, generating a 14% response rate.

The data were extensively and rigorously statistically analyzed. Our findings both confirmed and surprised. Both sector path and recent origin were statistically significant predictors of behavioral repertoire and organization culture, but role shift was not. A leader's tenure and both the strategic condition and size of the organization were statistically significant influences. All leaders considered themselves behaviorally balanced and, in fact, behaviorally complex but with slight variations in intensity and emphasis across leader profile types. All leaders assessed their organization culture as strongly collaborative and less strongly control oriented. However, when considering whether type or number of boundaries crossed has the greatest impact on a leader, the sector boundary crossing proved salient. Leaders with nonprofit sector experience assessed their behavioral repertoire and organization culture slightly higher than those without. Leaders with *diverse* sector experience which generally included but was not

limited to the nonprofit sector, however, self-assessed even higher. Longer role tenure and larger nonprofit size also resulted in higher assessments – as did, contrary to expectation, startup (rather than growth or maturity) situations.

Beyond these main effect findings, the three way interaction of sector path, recent origin and role shift predicted behavioral repertoire and organization culture. In fact, a more nuanced picture emerges and reinforces the complexity and interaction effect of a leader's prior socialization. Similar to our qualitative study findings, there were more striking similarities rather than stark differences in leaders. Differences were subtle although diversity of experience still trumped single sector experience. Generally, leaders having different sector experience had the higher behavioral role assessments. Further, our findings revealed that many leaders – regardless of sector origin – shared the same highest ranked roles. However, there were variations across the profiles about the exact rank order. Interestingly, for leaders coming from within the sector and those with a diversity of sectors experience, higher role assessments were generally reported by leaders for whom the move was a lateral shift while for the crossover, those experiencing a promotional shift in responsibility generally evidenced higher assessments. While crossovers felt the most prepared for the leader role, they, along with their counterparts, felt that their leadership behavior had changed and that the magnitude of change they personally felt in the role was high and on par with their counterparts.

Our quantitative research findings build on the findings from our qualitative study. Origin or the source of the leader is the wrong question. The combination of professional and situational factors and influences resulted in striking similarities rather than stark differences among leaders. Perceptions and anecdotal evidence aside, our empirical results demonstrate that

the crossover executive is more similar than dissimilar to his/her counterparts and is neither advantaged nor disadvantaged in terms of behavioral balance and complexity.

IMPLICATIONS FOR PRACTICE

Our research is the first of its kind – a large scale study of nonprofit leaders from diverse backgrounds serving diverse organizations. Our results advance knowledge about how leaders adapt and transition into top roles in nonprofit organizations and provide a benchmark of nonprofit leaders’ behavioral repertoires and how they view their organizations. We provide empirical evidence of similarities and differences of leaders depending on the composition and arc of their careers. The timing of our research – although unintended - is important as the sector grapples with a portended leadership crisis. Given that more – and better – nonprofit leaders will be required in the near future, implications for practice are obvious. In addressing future challenges for talent management in the sector, our results imply short and long term strategies to mitigate the leadership deficit.

Leader Recruitment and Selection

The hiring of a leader from outside the organization often signals change for the organization. Our results indicate that nonprofit boards, search committees and search firms should consider a wide array of candidates from across all sectors rather than limiting recruitment options to either within sector or cross sector candidates. The success of a leader has less to do with his/her prior origin and more to do with diversity of experience from which skills, abilities, insights and experience develop. Candidates should be queried to provide behaviorally-based examples of accomplishments that correspond to the roles and quadrants in the Competing Values Framework. While there are no guarantees of success and where alignment between a leader’s behavioral repertoire strength and the needs of the organization are

paramount, a leader who can easily recount a diversity of experiences, along with insights and learning gained, may better lead the organization through change and manage its sustainability.

Leader On-Boarding Processes

Crossover executives in particular, despite their feelings of being prepared for the role, frequently described their first year in the role as one of the most challenging of their professional careers. All leaders regardless of sector origin indicated a high level of personally felt change during the first year. Board and search committees should be aware of and strategize to minimize the inherent and well established risk of failure of outside candidates, especially the crossover and/or those for whom the role is a promotional move. Adapting to the cultural differences of the organization and sector while attempting to demonstrate early role success may be a greater challenge for the crossover executive. Unlike their sector counterparts, crossover executives rely more on key board relationships rather than an outside network of professional colleagues. Assisting new executives (and crossovers in particular) to build key relationships beyond the organization as well as helping them integrate into the culture may aid organizational entry success. Top leadership turnover is costly and disruptive to an organization. The hiring of a leader should not conclude the work of the selection team.

Talent Pipeline Strategies

Our research shows that leaders with a diversity of sector experience have higher behavioral complexity. Denison, Hooijberg and Quinn (1995:537) argue that leaders who work across boundaries develop a “rich behavioral repertoire to bridge, integrate and manage”. Behavioral repertoire – and crossing boundaries - is not a concept restricted to upper echelons. Intentionally ensuring and creating opportunities for high potential staff to experience different work challenges will build their behavioral complexity while also benefitting the organization.

Functional Skill Building for Nonprofit Professionals

Functional skill strength and leadership ability may be frequently conflated when considering what the crossover executive brings to the nonprofit sector. Our research shows that the crossover executive is neither advantaged nor disadvantaged in terms of leadership ability when compared to within sector counterparts. However, leaders with “for profit experience are perceived to bring, among other things, best practice knowledge, broader perspectives and a bottom-line orientation” (Bridgespan, 2009: 11) to the sector. Rather than relying on importation of functional skills, the nonprofit sector might focus on strategically developing the skills of within sector professionals to complement and augment their strong leadership ability.

CONCLUSION

Our research contributes to both theory and practice. The work shows that key theories and concepts extensively used in research in the *for* profit sector are of value and relevance to the nonprofit sector. We hope our use of these theories to gird our inquiry will encourage future researchers to examine other issues in the sector that may similarly benefit from existing *for* profit sector knowledge.

Our work aimed to fill an empirical research gap about nonprofit leaders and their organizations to achieve a deeper understanding of the interaction of professional and situational influences. We also aspired to inform and shift the debate about whether nonprofit leader origin is linked to more desirable leadership attributes. Our results indicate that leadership transitions proceed along similar paths regardless of sector origin and that differences in the journey are more a function of the strategic condition of an organization and a leader’s familiarity and

experience with role dimensions. We demonstrate that CEOs and EDs – regardless of origin – regard themselves as behaviorally complex leaders. However, their behavioral repertoire complexity, while not starkly different, increases with diversity of sector experience. Our survey garnered responses from a large number of nonprofit leaders indicating avid interest and curiosity about a topic surprisingly under-researched. As the need for well qualified nonprofit leaders burgeons, so does the need for nonprofit leadership research. The richness of our data suggests ample opportunity for future research.

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