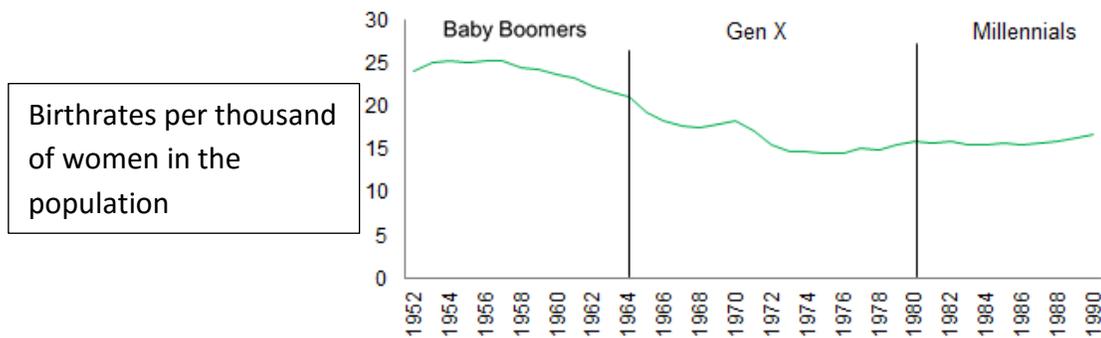


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## Gen X Leaders on the Rise



Look at the graph above. Its construction is simple enough, using nicknames for the last three distinct generations of Americans from 1952 until 1990. But its implications are far-reaching.

Start with the box on the Y axis. Birthrates are measured per thousand of women in the population, and this graph shows that at the start of the Baby Boom generation the birthrate was roughly 25 babies per thousand women of childbearing age in the population. Although this wasn't even close to the peaks set in the earlier part of the century, it was the 'bulge' of the Baby Boom generation that had an unprecedented impact on all facets of the last half of the twentieth century of American life – and is about to do so again.

The reasons for the Baby Boom are understandable in the context of the times. World War II, although preceded by notable hostilities, began suddenly with the Japanese bombing of Pearl Harbor. Within months the United States had assembled a massive fighting force that would eventually end the war on American terms in 1945.

On one level the Baby Boom was simply the resumption of normal social developmental stages that were disrupted or postponed for five years of warfare. Within the first years after the war, the American generation of twentysomethings was poised to return to pre-WWII normalcy.

Now jump ahead to the early 70's when the Vietnam War was challenging young Americans' social sensibilities. Those same Boomers began leaving high school and college and started shaping the general outline of their future lives. Many in the Boomer generation were idealistic and found themselves in nonprofit organizations. Within the next several years nonprofits were created at an unusual pace, many by Boomers who were tacitly encouraged to create such entities as an alternative to governmental programs that were usually not far removed from the large institutions of the 19<sup>th</sup> and early 20<sup>th</sup> centuries.

By 1995 there were a total of 1,066, 804 registered nonprofits in the country. By 2015 there were a total of 1,507,229 registered nonprofits, a gain of 41% in twenty years. While there are no statistics on nonprofit founders themselves from the 70's and 80's, it is reasonable to assume that a good deal of the growth of nonprofit organizations came from the Boomer generation.

The Boomer generation combined with Gen X eventually marked a turning point toward a service-providing culture that eventually boosted the growing sophistication of the sector. But the real long term story here can be seen in a substantial drop in the birth rate for virtually all of the Gen X period – more on that later. Although the early stage of the drop can clearly be seen to have begun in the latter half of the Boomer generation, the Gen X numbers dropped for virtually all of the 1964 to the 1980 period.

### Implications for Today

These macro trends and their enduring impact on the sector cannot be denied – but, paradoxically, they're hard to see. The growth in size and political and economic impact of the nonprofit sector is easy enough to understand. The work of Boomer founders is less likely to be noticed in its own right, but much of the growth in nonprofits can be attributed to that generation.

The biggest impact on the sector today is the impending retirement of the Boomers – and the size of the generation that will succeed them. For insights into the latter aspect, take a look at the Gen X pattern and its downhill birthrate. By the time 1980 came along, the birth rate of Gen Xers had settled in at a little less than half of the Boomers. In simple terms, we face the prospect of having 5 experienced Gen X CEO's to replace 10 Boomer CEO's. The math doesn't work . . .

An example . . . We recently heard of the plight of a fairly large nonprofit whose founder and CEO recently retired after nearly forty years on the job. He gave his board plenty of time to look for a successor, and they immediately conducted a search and found someone they liked. Unfortunately the successor didn't work out, and two years later they needed a new CEO again.

This time they could only find a temporary full time CEO – and so they’re still looking for a new chief executive.

We predict that many nonprofits today will go through a similar process because many of the other top executives are themselves Boomers nearing retirement age who are not interested in a long career as the ‘second CEO in our history.’ This will lead the groups to the Gen Xers – but this is the same group that is half the size of their Boomer predecessors.

### Options

There are a few options that could make this crunch go away. One option has to do with Boomer extensions. Recently we met with a group of nonprofit executives and board members who had been pondering this riddle. We asked the executives in the group to write two numbers on a piece of paper and hand it in. The first number was their age, in years. The second number was their planned age of retirement. When we calculated the responses, the average CEO age was 57 – and the average desired age of retirement was 71.

If the implied strategy in this exercise can be relied upon – and one calculation does not offer a reliable average – then nonprofits with leaders in their late 50’s with an early 70’s retirement horizon may help postpone the early stage of the onset of the problem. Boomers are a solid part of this country’s first workforce that did not rely on lifelong physical labor, which was one of the major reasons why previous generations of workers and executives expected to retire in their early to mid-60’s, if not earlier.

Another option is what we have taken to calling The Junior Merger. This is a situation in which two organizations are contemplating a merger. When this occurs, there is often a tacit understanding between the parties that the CEO with the most experience will become the CEO of the newly combined organization. The Junior Merger works best when one of the two CEO’s is at or beyond their desired retirement stage – or when the larger organization has a temporary CEO such as described earlier.

### Succession Planning

In the nonprofit sector the term ‘succession planning’ often means a practice reserved solely for and with the CEO. This probably happened largely because of the cost it entailed, so letting it refer only to the CEO saved money. Since the term is more powerful when it covers all of an organization’s senior talent, nonprofit managers of the future will be well advised to include all senior executives in a succession planning process. This makes it easier for boards and senior executives to support senior managers. It may also have the payoff of being a good way of spotting CEO candidates that would not have automatically come to mind.

Big trends often create big changes. The current Boomer pool of nonprofit executive talent was an aberration created by an unusual number of returning WWII soldiers. The Gen Xers', next in line, set a baseline of births that may not be able to fill the future needs of all nonprofits for experienced executives, especially if the growth rate of nonprofit incorporations continues. Extending the Boomers' service up to and perhaps into their 70's will help, but it's a stopgap. Expect widespread changes in nonprofit executives soon.

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