

Nonprofit Leadership Deficit

Bridgestone Group released a report predicting the nonprofit sector in the USA will require 640,000 senior leaders over the next decade. That is 2.4 times the current number of senior leaders. This represents a significant challenge for the current leaders in the nonprofit sector.

Let's assume the combined number of senior managers in the nonprofit sector in Australia and New Zealand (including nfp's, hospitals and aged care but excluding the public sector) is around 100,000 people. If this were true, and our leadership deficit trend follows that of the United States, then our two countries will need to attract, recruit, develop and retain an additional 240,000 into senior management roles over the next 10-15 years.

Even if our guesstimate were incorrect, and it would be preferable that we were wrong, the number of people required to engage in senior management roles in our nonprofit sector remains a significant issue.

Where will these people come from? How will our nonprofit organisations go about attracting and retaining this number of people during a time of labour shortages; in competition with every other sector, many able to pay considerably more money and offer greater benefits?

In the nonprofit sector, effective leaders are equally as important as funding, and just as scarce. Look around you, what do you see? Many of the current leaders in the nonprofit sector are white, male, aged 50+ and within the next decade, likely to retire - worse still, many of those in the next tier of management are only a few years younger - worse still, little has been invested in the development of those in the second tier. Many nonprofit boards haven't even discussed succession strategies for their CEO or senior executives.

During a recent assignment to recruit a CEO for a nonprofit organisation, nine people applied for the role. Only three applicants had CEO-level experience. All three were nearing retirement. Leaving aside a couple of applicants that failed to meet the criteria, the remaining, while much younger, lacked a planned pathway of development in preparation for a CEO-type role.

The number of senior executives required for nonprofits in Australia and New Zealand over the next ten years is likely greater than the total number of university graduates with a degree in business related topics - and the nonprofit sector has to share those graduates with other sectors.

What steps can current nonprofit managers take to minimise the future impact of this emerging issue? For a start they can look at how they develop potential amongst young, up and coming managers. Begin tapping into potential talent pools. Women seeking to return to the workforce after raising families bring considerable potential and ability to assume leadership roles. Having accumulated wealth over the past twenty years there is a pool of highly experienced corporate managers currently in their 40's seeking to take on leadership roles that make a difference, as well many 40-somethings who are due to retire from roles in the military and police and often have well developed leadership and management experience. Nonprofit organisations need to become proactive at attracting graduates direct from University and business schools. Board members need to become aware of the issue and change the way they view professional development; from a current cost to an investment in future sustainability.

A leadership deficit will impact significantly upon sustainability of nonprofit organisations, in particular amongst funded service providers. Government funding is linked to service delivery and outcomes; which in turn are achieved through effective leadership and management. At the same time funding bodies demand greater accountability from nonprofits; which requires managers with high level knowledge and skills in compliance, quality assurance, financial management and service delivery management. Longer term the impact may become more pronounced. Around 25% of our population, the so-titled Baby Boomers are currently moving into retirement. This is a wealthy cohort of people. It could be envisaged this group of people will become significant benefactors and donors to charities and community organisations. They will direct their donations to those organisations with the most effective management groups.

Labour shortages and increased management costs impact directly upon cash flow in any organisation. Government funding bodies and philanthropic trusts will need to consider funding management development as a legitimate, and valued expense. Around 20% of funding or operating revenue is used to pay non-service delivery costs, including management costs. This level will need to increase to enable nonprofits to attract qualified and experienced leaders to the sector.

Developing leadership and management capacity is a long-term process. The time to commence was yesterday; not tomorrow when your senior executives

make the decision to retire.

Management compensation poses an ethical dilemma for Boards of nonprofits, especially those involved in providing community services such as funded service providers. They must face a public perception that senior executives of nonprofit organisations should not be seen to have their snouts in the proverbial pig trough. Boards will need to become better educated - and recruit board members with relevant experience and understanding of the cost/benefit scenarios for management remuneration, have the ability to interview and select the most appropriate person and can set and monitor performance expectations in line with the level of remuneration.

While it will remain important to provide competitive remuneration, funded service providers in particular will need to recognise that a focus on remuneration alone will be self-defeating. Other sectors will always have deeper pockets. Funded service providers and those healthcare providers that need to recruit managers in non-nursing roles will need to expand their horizons and tap into broader networks to attract suitable people into management roles, and non-management roles, also. The current pool of potential leaders will simply not be large enough to meet demand. Increasing the emphasis will be upon boards made up of members with high quality networks inside and outside of the nonprofit sector.

Ironically, while the impending retirement of the Baby Boomers is the outstanding contributor to this emerging issue, at the same time a part of the solution may lie with this group. Over the next ten years the majority of Baby Boomers will have moved into retirement. This represents a pool of four million people in Australia and a further one million in New Zealand. In this group lies a significant pool of talent with considerable experience in leadership and management as well as an established network of contacts. Instead of simply allowing those from corporate backgrounds to retire, nonprofit boards need to become proactive in seeking out and recruiting future leaders from this pool. Many will have taken early retirement from their corporate roles and will be seeking to remain engaged in the workplace. It may even be feasible to consider job sharing, or other flexible working arrangements in some leadership roles. This would enable nonprofits to tap into a vast pool of experience while providing retirees with options for a work/life balance. The nfp sector has access to a considerable pool of volunteer talent - largely untapped due to assumptions that volunteers no longer wish to be employed. Will that always be the case? Is it time to look at present and future volunteers, to look at opportunities for developing talent and even blurring the lines between paid employees and volunteers so that nfp's can tap into leadership and management expertise?

What are the consequences of the sector maintaining its current position? In the short term, very little difference will be noticed. Over the and long term the impacts will likely compound and as a consequence will become

increasingly difficult to resolve. Any deficit of leadership in our nonprofit sector will directly impact upon both ability to attract funding and ability to effectively deliver services. Effective leadership and management is also critical to workforce development, job satisfaction, motivation and employee moral. Try functioning when all that is in disarray!

David Simms, director of the Bridgestone report says "The data show that now, more than ever, nonprofits are looking for talented individuals with critical functioning skills, and that they are open to finding these people in the for-profit workforce. The challenge for would-be 'bridgers' - managers moving from for-profit to nonprofit sector - is figuring out cultural fit, being clear about one's values and understanding the trade-offs that must be made when transitioning from one sector to the other."

Nonprofits need to change their outlook at well, according to Simms, who writes, "The challenge for organizations is to fully develop their own leadership talent as well as to cast nets more broadly, including outside the sector, to find rightly skilled leaders who can ensure effective operations and also, particularly in these lean times, foster much-needed innovation. In all cases, what is needed are processes that effectively attract, develop and retain high potential candidates, helping those new to the sector to adapt culturally."

It is time for nonprofit organisations to work together in a collaborative manner, to present themselves as viable career options, to spell out how people in leadership roles contribute to making a difference, to create career pathways through an organisation and between organisations and to find ways to provide competitive remuneration. It is time for Boards and CEO's to take a long term perspective - over the next twenty years, beyond their own tenure and to begin building a sustainable organisation for the future rather than one based upon past practices and circumstances. CEO's need to identify potential talent today and spend tomorrow developing that talent so that good people stay and guide the organisation into the future.

At the 2009 NFP Futures Summit in Victoria a workgroup on leadership capacity stressed the importance of a cultural shift in the sector from 'crisis response' to 'envisaging the future' . . . space to dream, innovate and lead . . . plan for success . . . **leadership sans frontiers** . . . where leaders are not bound by sector but are selected on ability to achieve.

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