

Exploring the Looming Leadership Deficit in the Voluntary and Nonprofit Sector*

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Introduction

There is a lot of talk in the voluntary and nonprofit sector about the leadership deficit, but if you dig down a little further, you will find that there is a range of conversations that give different meanings to the term. Some of these conversations revolve about the need for community or collective leadership to solve specific problems or take specific actions, often in a geographic space. Others discuss the need for better organizational leadership so that organizations can collectively build their capacities to deliver on their missions. And yet others are about the leadership deficit in relation to individuals—in terms of either supply or capabilities.

This article does not attempt to address the broader issue of community leadership; rather, it is a modest attempt to explore the dimensions of the leadership deficit as it relates to employees who occupy senior positions in their organizations. That said, individual leadership cannot easily be dissociated or disentangled from organizational leadership, as a senior leader who is successful in his or her job will have a positive impact on organizational outcomes.

Much of the talk about leadership is currently fuelled by demographics. Canada is home to an aging population that is retiring earlier and living longer than ever before. According to Linda Duxbury of Carleton University, for every two people who will retire over the next 30 years, only one person will take their place in the labour force (Duxbury, n.d.). This trend is creating the tightest labour market since the 1950s, leaving organizations in all economic sectors competing to draw talent from a dwindling supply. In 2006, a Senate Committee released *The Demographic Time Bomb*, which investigates the impact of demographic

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changes for Canada's economy, labour market, and retirement income system. The report recommended a national dialogue to develop a coherent strategy to address the challenges of demographic change and, more specifically, of an aging Canadian population (Senate, 2006).

Born between 1946 and 1964, baby boomers make up more than 30% of the population and, as a cohort, have more people in the Canadian labour force than any other living generation. As the boomers get set to retire, the labour force is in for a dramatic shift. With over 1.2 million people, or 8% of the labour force, working in 69,000 voluntary and nonprofit organizations across the country, our sector will not be immune to the impending demographic shift. While the boomer exodus will affect positions at all levels, the voluntary and nonprofit sector is especially vulnerable at the leadership level, which for the purpose of this article is defined as paid employees who are in management positions with voluntary and nonprofit organizations, including executive directors and other senior managers. The vast majority of these leaders in our sector are boomers. So how do we address the departure of the current leadership in time to ensure that our organizations remain viable?

Sounding the Alarm

There is no doubt that the proverbial clock is ticking. The question is whether the time left to address the expected leadership deficit should be counted in minutes or in hours. David Foot, demographic expert and author of *Boom, Bust and Echo*, maintains that there is no immediate labour crisis. He argues that the real labour shortage will not occur for another 15 years, as the majority of the boomers are still working and will probably continue to work for the next several years (Larmour, 2005).

Regardless of whether the challenge peaks sooner or later, there is evidence of mounting concern in the sector. Two recent American studies sound the alarm about a leadership deficit and leadership turnover in the voluntary and nonprofit sector. The Bridgespan Group states the problem most dramatically in *The Nonprofit Sector's Leadership Deficit*. The group declares that "the leadership deficit looms as the greatest challenge facing nonprofits over the next ten years," as American charitable organizations will have to attract 640,000 new leaders in the next decade (Tierney, 2006). They argue that the impending crisis is fuelled by a shortage of supply brought about by the retiring boomers, by significant growth in the number of nonprofit organizations, and by current leaders who are leaving management positions for roles in governance, consulting, or volunteering. In fact, many leaders are leaving the sector altogether, choosing to work in business or government.

The second U.S. study, *Daring to Lead 2006: A National Study of Nonprofit Executive Leadership*, was carried out by CompassPoint Nonprofit Services and the Meyer Foundation. A follow-up to a 2001 study that examined executive transitions, the 2006 edition confirmed the findings of the original study that

three out of four nonprofit executive directors were likely to leave their jobs within the next five years. The respondents cited a number of reasons for their decision to leave, including concern over organizational sustainability, difficult relationships with boards and funders, and the financial sacrifices that they make to lead nonprofit organizations. The study notes that while executives are leaving their jobs, most will stay in the nonprofit sector (Bell, 2006).

While there are no broad national studies on the prospects for the voluntary and nonprofit sector in Canada, two provincial studies, one in Alberta and the other in Quebec, demonstrate evidence of similar trends on this side of the border.

CentrePoint (formerly the Calgary Centre for Non-profit Management) commissioned a study modelled on the work completed by CompassPoint Nonprofit Services to examine executive transitions among the province's 19,000 nonprofit organizations. The study found that two out of three executives are women, and 5% of respondents identified themselves as visible minorities. The visible minority population is 11% in the province and 17.4% in Calgary. The Alberta study also confirmed high levels of executive turnover, with 36% of respondents stating that they will be seeking a new challenge within the next two years and 82% expecting to leave within the next five years. One third plan to retire within the next five years, and the rest will seek other challenges. The study was not able to determine why the turnover was so high when job satisfaction also seemed to be high (Boland, 2005).

Across the country, the Comité sectoriel de main-d'œuvre: Économie sociale et Action communautaire (CSMO-ESAC) has taken note of the demographic trends in Quebec and released *La Relève en Action Communautaire: Un Enjeu Qui Nous Interpelle Tous et Toutes*, a discussion paper to assist people in community organizations to understand the potential impact on the sector. The paper noted that the sector is coping with an aging and predominately female workforce, turnover rates that are higher than in other sectors, and poor integration of Aboriginals and immigrants. The authors also note that the voluntary and nonprofit sector has traditionally been a place where young people have gained solid experience on the ground. They express concern that with the coming labour shortages, young people will be lured away from the voluntary and nonprofit sector to the public or para-public sector by better salaries and working conditions (CSMO-ESAC 2006).

While these studies do not provide a complete picture, they describe a leadership that is primarily female, aging, and not very diverse. They also bring to light common symptoms that are affecting nonprofit organizations across North America, most notably the high level of turnover at the leadership level and the increased difficulty in attracting and recruiting people from a shrinking supply of potential candidates. How can the sector respond to these challenges?

Meeting the Challenges

The key to addressing these challenges is twofold. We must simultaneously encourage and support people who are currently in leadership positions while seeking ways to promote the sector as a viable career destination to a new generation of diverse leaders.

Encourage and Support Existing Leadership

One of the strategies to address the leadership deficit is to encourage voluntary and nonprofit leaders to remain in the workforce. The previously cited American and Canadian studies found that there was a high level of turnover among the sector's leadership. Factors contributing to this turnover are documented in a number of studies—the large amount of time spent on functions like fundraising and human resources management, difficult board and funder relations, and more complex and rigorous regulatory and accountability requirements. In order to keep these people in the sector, we need to find new ways to support them through peer networks, coaches, and professional support services. Addressing some of the underlying issues may require more structural changes to the regulatory frameworks and the funding regime and a re-examination of the staff/board paradigm.

Another line of action is to find ways of supporting and developing middle-level managers now in their 30s and 40s to move into senior positions. However, this strategy presents its own challenges, as unlike the private sector, most nonprofit organizations cannot cultivate their own supply of future leaders because they have few employees to draw on.¹ This is so for a number of reasons including a lack of middle-management roles within organizations and the absence of funding for training and development those who are in middle-management positions. One example of programs to support people in these positions is the Metcalf Foundation and United Way of Greater Toronto's Emerging Leaders Program. Offered in partnership with the Schulich School of Business at York University, the certificate program focuses on leadership development, core management skills, and sectoral analysis and is designed to develop the leadership skills of middle managers in the voluntary and nonprofit sector.

A third strategy is to attract people from government and business into the sector. Recent surveys confirm that many boomers want to combine work and retirement, with many respondents expressing a desire to improve the quality of life in their communities (MetLife Foundation/Civic Ventures, 2005). People who are currently working for businesses or governments could transition to the voluntary and nonprofit sector and become a valuable source of professional expertise in areas such as fundraising or financial and human resources management.

Accelerate the Development of a New Generation of Leaders

The Annie E. Casey Foundation (AECF) has begun to examine what the transition from the boomer generation to generations X and Y means for nonprofit

Charity Leaders: A Matter of Trust

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Leaders of charities enjoy strong trust from the Canadian public, but that support may be slipping slightly among some segments of the population.

According to *Talking About Charities 2006*, published by The Muttart Foundation, 77% of Canadians say they trust leaders of charities “some” or “a lot.” This places them behind nurses (96% trust level) and doctors (93%), but ahead of a number of other professions, including business leaders, religious leaders, government employees, and politicians.

Talking About Charities is a series of public-opinion surveys. In 2006, almost 4,000 Canadians participated in a 20-minute telephone survey. The results on a national basis are considered statistically accurate within $\pm 2.2\%$, 19 times out of 20.

Overall, the level of public trust in charity leaders has remained fairly constant—80% in the 2000 and 2004 studies and 77% in 2006.

But demographic breakdowns (where the confidence factor is slightly lower) show a reduction in trust levels among low-income Canadians and younger Canadians.

Between 2004 and 2006, the level of trust among respondents with household income of less than \$20,000 dipped from 76% to 68%. Smaller decreases were noted among respondents with household incomes of \$20,000 to \$50,000 and those with household incomes of \$50,000 to \$75,000. Among the highest-income Canadians—those with household incomes of more than \$100,000, the trust level dropped from 87% to 79%. Equally important is that among this last group, those who say they trust charity leaders a lot dipped to 22% from 32% two years earlier.

When compared with respondents’ age, trust levels dropped in every category up to age 55, but these drops were mainly close to the margin of error.

Detailed charts and a copy of the full 2006 study are available on The Muttart Foundation’s website at <http://www.muttart.org/downloads.htm>.

leadership. As part of the study, AECF carried out a series of intergenerational workshops to answer some key questions, among them:

- What does the next generation need to take the lead?
- How can we ensure that the next generation of leaders is more diverse and more representative of the communities its organizations serve?

(Kunreuther, 2005)

There is anecdotal evidence that younger people, while attracted to the sector by social issues and challenges, are not interested in taking up leadership positions in larger, more established organizations. They see it as a thankless position that precludes a happy and well-balanced life (Kunreuther, 2005). While many younger people are driven by a passion for a particular issue, such as the environment, human rights, or global poverty, when they look at leadership positions, they see that most of the time is spent on activities such as fundraising and financial and human resources management. Rather than building a career with a single organization, younger people view their career as a buffet, are interested in sampling a variety of interesting experiences, and are more likely to move laterally within an organization or across organizations to go after the challenges and opportunities they seek. As this is the case, the sector must encourage and ensure greater portability of skills and experience within the sector in order to keep younger employees engaged and connected. The current leadership of the voluntary and nonprofit sector is predominately female, white, middle-class, and middle-aged. Aboriginal, immigrant, and disabled communities are under-represented in both the general labour force and the voluntary and nonprofit sector. At the same time, Aboriginal Canadians are the fastest growing segments of the population in Manitoba and Saskatchewan. The same is true for immigrant populations in major urban centres. Both of these segments of the population provide the sector with additional recruitment opportunities. The lessons learned from the experiences of the Maytree Foundation in supporting and developing leadership with immigrant and refugee populations could serve as an example for other organizations to address this issue and leverage new sources of candidates, as new and young immigrants are set to comprise the majority of the workforce in Canada in the years to come. The sector should also be stepping up efforts to tap into the talents of people with disabilities.

Ideas for Implementation

There are inherent contradictions in encouraging boomers to stay in the workforce while simultaneously developing the next generation of leaders. Boomers have dominated organizational life for the last 25 years. They grew up with the sector and created many of today's organizations. However, the environment has changed dramatically during the past quarter-century. Immigration patterns and the new socio-political context are changing the nature of the voluntary and nonprofit sector, and these changes must be reflected at the leadership level. Keeping boomers in their leadership roles makes it more difficult to make space for a new generation of leaders.

Many commentators have described substantial differences in values between the boomers and generations X and Y that create challenges for managing inter-generational workplaces. Some see this cohort as a large plug that moved into organizations in the 1970s and 1980s and stayed put, reducing opportunities for others to move into leadership positions in the sector. One line of action is to create some new roles for boomers as consultants, coaches, and mentors. These could be structured to facilitate the transfer of knowledge accumulated by the boomers over the last 25 years to the new generation of leaders within individual organizations and the sector more broadly.

The question here is whether the boomers will be able to relinquish power and support a new generation of leaders who may have different approaches to leadership, participation, and engagement.

Within organizations we should also rethink our perception of career progression. Traditionally we think of careers as ladders, gradually working up from rung to rung to eventually end up at or near the top. But where do nonprofit leaders go from there? While the answer may seem obvious, the consequences of stepping right into retirement do not make it easy for existing leaders to share knowledge with the up-and-coming leadership. Often when they retire, the contacts, networks, and knowledge that they have accumulated over their careers slip away along with them.

We need to think of new mechanisms to ensure a more gradual move towards retirement, allowing senior leaders the time to impart knowledge, advice, and guidance to those who are going to step into their shoes. This could be accomplished through mechanisms such as part-time work or having the leader take on a special project while actively mentoring his or her replacement.

The priority must be to improve infrastructure to support existing people in leadership positions while accelerating the development of a new generation of leaders. We should look carefully at how to:

1. Encourage and support existing leadership:

- Draw boomers with professional skills (financial, human resources, marketing) from other sectors to complement the leadership skills of current leaders.
- Promote the sharing of administrative services as a way to help organizations focus on mission-directed activity as the Tides Canada Foundation,² the Muttart Foundation,³ and the Centre for Social Innovation⁴ have done.
- Support the development of best practices in managing intergenerational workforces.
- Provide space for more peer support.
- Explore in greater depth the reasons for the high rate of executive transitions and potential impact of demographic changes in Canada.

2. Accelerate the development of a new generation of leaders:

- Expand leadership development programs for younger people with focused attention on diversity—using models developed by the Maytree Foundation, the J.W. McConnell Family Foundation, and others.
- Encourage organizations to undertake succession planning with the focus on the development of a younger and more diverse leadership.
- Consider advocating for a new “Company of Young Canadians” which could bring together boomers and young leaders in innovative ways.⁵ This will draw younger people into the sector and generate new ideas that will help transform existing organizations or give birth to new ones.
- Consider ways to connect young people in university programs with community organizations and issues drawing on the McConnell Foundation’s University-Based Service-Learning Program.
- Use the Annie E. Casey Foundation study as a model to create spaces where younger people and older leaders can explore their different perspectives on organizational leadership and development.
- Support organizations in the recruitment of staff from the Aboriginal, visible minority, and disability populations.
- Develop more formal mentorships for young leaders and incorporate them into existing organizational networks.
- Make a concerted effort to market the sector to attract younger people.

Positioning the Sector for the Future

The success of the strategies outlined above is dependent upon the voluntary and nonprofit sector being able to attract and retain talented people. So we need to ask ourselves what makes the sector an attractive place to work.

The sector does have many appealing features. The work and organizations are values based and provide meaning and engagement for those involved. At the community level, the sector allows entry into the workforce or organizational life to those who may be denied access in other sectors, such as refugees, immigrants, and other marginalized groups. It provides space for a rising breed of young social entrepreneurs who are more concerned with social justice, change, equity, and the environment than climbing the corporate ladder.

On the other hand, the sector is not without its challenges. Existing leadership is not necessarily reflective of the communities that organizations serve. Some more established organizations are mired in board relations, funding arrangements, and accountability frameworks that sap their creativity. Issues such as compensation, benefits, and working conditions are a potential impediment to attracting and retaining younger workers in an increasingly competitive labour market. Some commentators note that with the growth in the number of organizations, it’s becoming a crowded playing field. While there are many attempts to collaborate, people are busy and the structure of many organizations works against effective collaboration.

It appears that the voluntary and nonprofit sector is suffering from an identity crisis. Often we describe ourselves in terms of what we are not, because it is easier than finding commonalities within the various sub-sectors. Are we a charitable sector doing good works and delivering services? Or are we a space where citizens engage with others to address key global, national and community issues? To effectively market ourselves as a great place for people to build a career, we must also work collectively to promote the sector as a place where people with skills, knowledge, and commitment can effect real change and deliver results. It is time for the sector not only to see itself as a sector, but to *sell* itself as a sector as well.

A Final Comment

We are sitting on the cusp of the boomer exodus. While the clock is ticking, it does not appear that we have yet reached the eleventh hour. There is still time to discuss issues and develop strategies to cope with the demographic shift. Our sector offers engaging, important work with flexibility and scope. Conversely, lower salaries, less support for leadership, constraining accountability frameworks and a rather dated image make the sector less attractive to potential leaders. The picture is made more complex as demographic trends combine with a number of other factors influencing the supply of and demand for skilled leaders. It is important that the sector reflect and act upon what the implications of these trends will be for leadership in voluntary and nonprofit organizations now, before the crisis arrives.

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