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The Leadership Deficit

By Thomas J. Tierney

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the Leadership Deficit

One of the biggest challenges facing nonprofits today is their dearth of strong leaders – a problem that’s only going to get worse as the sector expands and baby boom executives retire. Over the next decade nonprofits will need to find some 640,000 new executives, nearly two and a half times the number currently employed. To meet the growing demand for talent, the author offers creative ways of finding and recruiting new leaders from a wide range of groups, including business, the military, and the growing pool of retirees.

by THOMAS J. TIERNEY

NONPROFIT ORGANIZATIONS DEPEND ON TWO resources to fulfill their missions. One, of course, is money. The other resource – just as vital but perhaps even more scarce – is leadership. Indeed, qualified leadership candidates may be even rarer than six-figure donors. As one highly respected executive director recently observed, “If I have the choice between spending time with a \$100,000 donor or a potential candidate for a senior role, hands down it’s the candidate.”

Today, many nonprofit organizations struggle to attract and retain the talented senior executives they need to convert dollars into social impact. Searches for chief executive, operating, and financial officers often turn up only one to three qualified candidates, compared with four to six for comparable private-sector positions. The experience of a large nonprofit seeking a seasoned executive to guide its national expansion is typical: Only a single qualified candidate even considered the position. Like many other organizations in the nonprofit realm, this agency was one person away from a leadership crisis.

During the next 10 years, the nonprofit leadership deficit will become impossible to ignore. My Bridgespan Group colleagues and I recently carried out an extensive study of the leadership requirements of U.S. nonprofits that have annual revenues of more than \$250,000. (We excluded hospitals and institutions of higher education because of their distinctive funding mechanisms, specialized pools of talent, and established infrastructure for developing talent.) As a group, the organizations we examined provide the bulk of American philanthropic pro-

PHOTOGRAPH BY GEORGE MARKS/GETTY IMAGES



grams in areas ranging from the environment, arts, and economic development to youth development, elder affairs, and other social services. Directly or indirectly, their activities touch almost every single American.

To offset executive transitions and build management depth, this echelon of nonprofits will need to add more than 56,000 new senior managers to its existing ranks in 2006 alone. (We define senior management as the organization's executive director and the people who report directly to him or her.) For the years spanning 2007 to 2016, these organizations will need to attract and develop a total of 640,000 new senior managers – or the equivalent of 2.4 times the number currently employed. To put the challenge in perspective, attracting that many managers is the equivalent of recruiting more than 50 percent of every MBA graduating class, at every university across the country, every year for the next 10 years.¹

The experience of a large nonprofit seeking a seasoned executive is typical: Only a single qualified candidate considered the position. This agency was one person away from a leadership crisis.

To meet the need for new leaders, the nonprofit sector has little choice but to think and act in new ways. Board members and other recruiters will have to explore previously untapped networks of talent – women returning to the workforce after raising their families, baby boomers shifting out of corporate work, mid-career executives looking for a change, officers retiring from the military, and idealistic young graduates wanting to make their careers in the nonprofit sector. Equally important, nonprofits will have to work on retaining their best leaders, providing them with opportunities for career development and advancement, both within individual organizations and across the sector.

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How the nonprofit sector responds to the leadership challenge will have an enormous impact on both individual organizations and the communities they serve. Scholars Paul G. Schervish, a professor of sociology at Boston College and director of the school's Center on Wealth and Philanthropy, and John J. Havens, associate director of the center, expect that during the next 30 to 40 years, \$6 trillion in charitable bequests will flow to the nonprofit sector as wealth is transferred from the baby boom generation to its heirs.² And that's Schervish and Havens' conservative estimate. Should the nonprofit sector be unable to fill its looming leadership deficit, much of that money will not be put to its best use, and society as a whole will be the poorer.

Short Supply, Expanding Demand

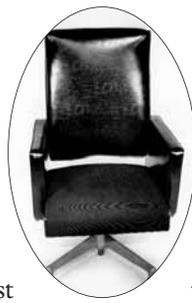
To understand the magnitude of the leadership deficit and why it will intensify, we need to examine what shapes the supply of, and demand for, nonprofit leaders. The supply side of the story begins with the baby boom generation. Because of the boom, the pool of American men and women of prime executive age (34 to 54 years) swelled to 35 million between 1980 and 2000.

But the first wave of this nearly 80 million-strong generation is now turning 60, and because the boomers did not have as many offspring as did their parents, the cohort that follows them has a lot fewer people. From 2000 to 2020, the number of people in the prime leadership age bracket of 34 to 54 will grow by only 3 million.³

Farsighted businesses have been preparing for this dramatic shift since the end of the 1990s⁴ (the Partnership for Public Service began to address the federal government's anticipated brain drain back in 2002⁵), but nonprofits are only beginning to mount a response to this demographic threat. Their responses to date have not matched the scale of the problem.

In addition to the uptick in retirements, chronic nonprofit challenges also cut into nonprofits' supply of executives. Some leaders leave management for governance, consulting, or volunteer responsibilities within the social sector. Others leave the nonprofit world altogether, taking jobs in government or business. A study of 2,000 executive directors, conducted by the Meyer Foundation and CompassPoint Nonprofit Services, affixes numbers to these trends: Three quarters of respondents do not plan to be in their current job five years from now, and 9 percent are currently in the process of leaving their positions.⁶ This study, "Daring to Lead 2006," suggests that the nonprofit leadership hole may be wider and deeper than anyone suspected. Although the results of this survey are open to differing interpretations, there is little doubt that there will be significant turnover in the sector's leadership ranks over the next decade.

Meanwhile, the demand for leadership is growing. Between 1995 and 2004 the number of larger nonprofit organizations



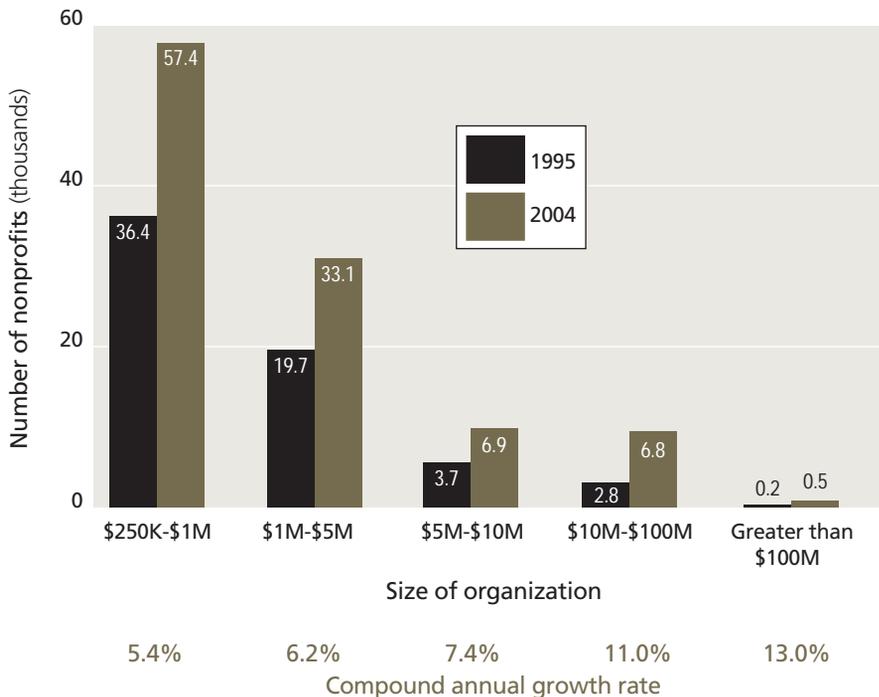
(those with annual revenues exceeding \$250,000) grew from 62,800 to 104,700 – an annual growth rate of almost 6 percent (see graph, below). Although there are far fewer larger organizations than smaller ones, the number of larger organizations is growing faster than the number of smaller ones. Because larger organizations often require more skilled leadership than do smaller organizations, the faster growth of larger organizations will only exacerbate the nonprofits’ leadership crisis.

Every realm of charitable activity is feeding the growth of the social sector. Individual donations have increased as baby boomers age. Foundations have been multiplying, with an average of 2,900 new ones per year for the decade ending in 2002.⁷ Social entrepreneurship is increasingly popular. Corporations are making social responsibility a greater priority. And government at all levels has steadily turned to nonprofits to deliver public services.

Some knowledgeable observers label this growth “prolif-

Nonprofits are not only growing more plentiful, they are also being held more accountable. Under relentless performance pressure from donors, regulators, and the public, these organizations’ management teams will have to expand to include executives with specialized skills. Do influential board members insist that the organization be run more like a business, with concomitant investment in capacity building? Then it will need to hire a chief operating officer. Are funders’ reporting requirements growing more complex and rigorous? Then the organization probably needs a full-time chief financial officer, rather than a part-time bookkeeper. Is the agency stepping up its recruitment of frontline service providers? Then it’s time to hire a human resources professional. Does the organization want to access more and deeper pockets? Then it will have to find skilled marketing, development, and communications executives. The need for additional management talent is unabating.

THE NUMBER OF NONPROFITS IS INCREASING ACROSS ALL SIZE RANGES



DATA SOURCE: National Center for Charitable Statistics (the data has not been adjusted for inflation)

eration” and suggest that consolidation of the sector is in order. Others applaud the growth as a heartening voluntary response to unmet needs. Either way, the steady rise in the number of nonprofits and the commensurate need for more management talent show no sign of stopping.

Trouble Ahead

To determine how many new senior managers nonprofits will need to hire by 2016, we first assumed that the sector would continue to grow at the same rates as it did from 1995 to 2004 – a period that embraced a significant business cycle. We also assumed that retirement rates would remain constant from 1996 to 2016, save for a 6 percentage-point demographic boost from 2004 through 2009 due to baby boomer retirements. Our final assumption was that rates of other forms of transition out of nonprofit leadership positions would remain the same. (For a full discussion of the study’s methodology and sensitivity analysis, please visit www.ssireview.org or www.bridgespan.org.)

On the basis of those assumptions, we project that nonprofits will require 78,000 new senior managers in 2016 alone, up from 56,000 in 2006 and more than a fourfold increase since 1996. When the leadership needs of each of the coming 10 years are added together, the total comes to 640,000 new senior managers – a 140

percent increase in the current population of nonprofit executives. This projected growth in the nonprofit sector’s leadership needs breaks down into three categories (see graph, p. 30): Leadership transitions (for retirement or otherwise) account for 55 percent of the increase, the growth in the number of non-

profits makes up 42 percent, and nonprofits' trend toward having larger senior leadership teams accounts for the remaining 3 percent.

There is no guarantee, of course, that our assumptions are correct. The growth rates in the numbers of nonprofit organizations might decline dramatically because of sectorwide consolidation, changes in charitable funding, or even widespread failures of established nonprofits. Future turnover rates might fall below recent projections if existing senior managers delay retirement or turn down job opportunities outside the sector. Even using more conservative assumptions, however, we estimate that the sector will need some 330,000 new senior executives over the next decade. The leadership deficit might be mitigated or deferred, but it will not go away.

We believe it is more likely that the growth of nonprofit organizations will accelerate, driven by current momentum, increased reliance on nonprofits throughout society, and the effects of the coming wealth transfer. Factors like consolidation could easily increase the need for managers given the capabil-

ities required to run larger organizations. Moreover, executive burnout and competitive bidding for talent will probably accelerate undesired turnover. If these more aggressive assumptions prove correct, the total need for new managers would increase from 640,000 to 1,250,000.

Forecasts are always imperfect. Nevertheless, the message in these numbers is clear: In the decade ahead, nonprofit organizations will need far more new senior leaders every year than they did in the past. Our leadership needs, it seems, are unprecedented.

Finding the Talent

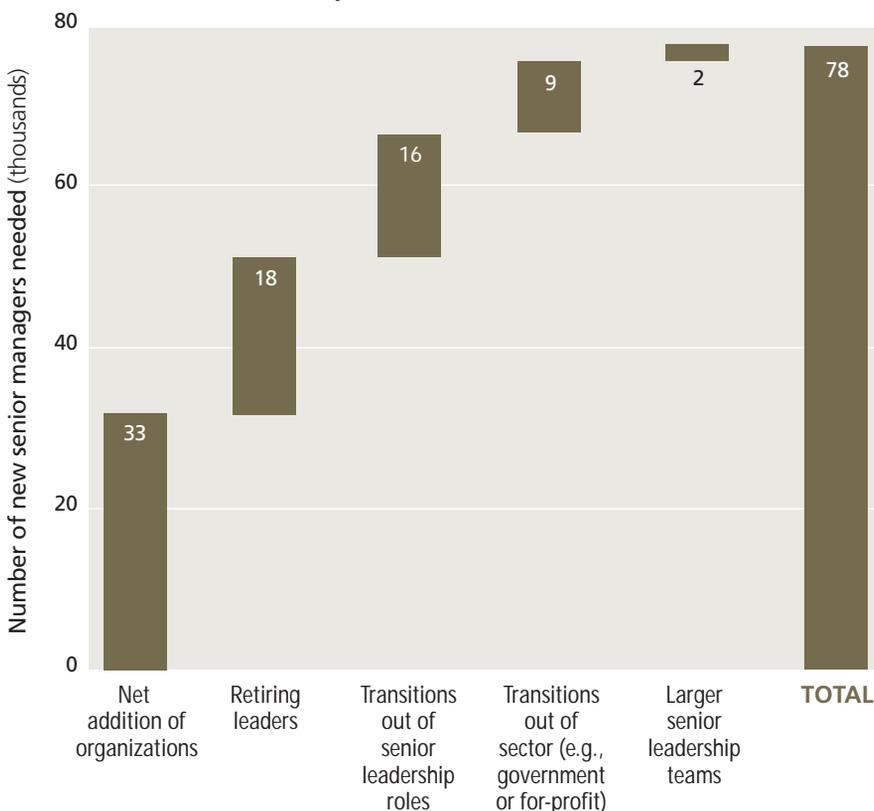
The very nature of nonprofits makes offsetting the sector's leadership deficit all the more difficult. Unlike businesses, most nonprofits cannot cultivate their own supply of future leaders. Successful companies routinely invest enormous amounts of time and money attracting talented junior managers and developing them into leaders. Most nonprofits (even larger ones) are

too small to provide meaningful career development opportunities for their employees. Most cannot afford the huge investment in recruitment and human resources that such development requires – especially when boards, funders, and donors view such expenditures as wasteful overhead.

Consequently, nonprofits have little option but to search outside their own organizations for new senior managers. The best available data indicate that nonprofits fill only 30 to 40 percent of senior management positions with internal promotions, whereas businesses average 60 to 65 percent.⁸ Without abundant firsthand experience in hiring, external recruiting is almost always riskier than internal sourcing. External hiring is also more expensive, often entailing costly executive searches. And as nonprofits compete with the corporate sector in the talent market, the cost of attracting leaders is likely to escalate.

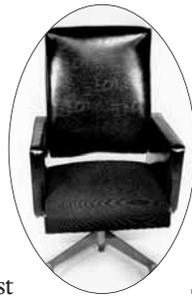
Nonprofits also lack the human resources infrastructure available to for-profit organizations. Business schools supply a steady stream of next-generation leadership to the private sector. The executive search industry has grown from modest beginnings a few decades ago to a multi-billion-dollar business.⁹ Internet job-posting platforms like Monster.com also aid the

THE NONPROFIT SECTOR WILL LIKELY NEED NEARLY 80,000 NEW LEADERS IN 2016



NOTES: Transitions out of senior management positions include executive directors and senior managers who have left their current positions to become consultants or to take an unpaid volunteer or board governance role. Transitions out of the sector include executive directors and senior managers who have left their current positions for a job in the government or for-profit sector. Senior management is defined as the most senior tier of management; it could include the COO, CFO, CDO, head of human resources, head of marketing, or head of programs.

DATA SOURCE: National Center for Charitable Statistics



flow of talent, as do human resource organizations such as Hewitt Associates and Convergys. These services exist because profit-making businesses can amply reward those who help fill their leadership supply needs.

Without extra time and money to invest in finding talent, nonprofits simply cannot compete with the for-profit world when it comes to finding capable leaders. Most nonprofits lack the resources and experience to recruit effectively from colleges

and Barbara Kibbe, former vice president of the Skoll Foundation, have argued the point forcefully. Funders created Grantmakers for Effective Organizations (GEO) in 1997 to enhance organizations' ability to measure results and to ensure sound financial oversight and organizational management. Venture philanthropists such as NewSchools Venture Fund, Venture Philanthropy Partners, and New Profit Inc. have put their money where their demand for good manage-

Unfortunately, the short-term consequences of being light on leadership are tolerable. Nonprofits already do so much with so little – why not do a little more with a little less?

or graduate schools. The largest search firms devote only a tiny fraction of their staff to the nonprofit sector, and when they do, they typically focus on high-profile, high-paying executive director (CEO-level) jobs – an entirely rational approach given their financial incentives. A handful of medium-sized search firms, such as Isaacson, Miller, concentrate on nonprofits, but their clients are mostly larger institutions. (Approximately 60 percent of Isaacson, Miller's current business is in healthcare and higher education.¹⁰) Hundreds, perhaps thousands, of freelance recruiters do at least some work in the nonprofit sector, but they are constrained by limited resources and limited access to qualified talent. Internet-based organizations, such as Idealist.org, help nonprofits find talent, but to date their scale is dwarfed by the magnitude of the need.

Taking Action

Big problems often demand big solutions. To shore up the impending leadership crisis, both individual organizations and the nonprofit sector as a whole must take action. Board members, senior managers, and major donors must commit to building strong and enduring leadership teams within their own organizations. Across the sector, foundations, intermediaries, and associations need to collaborate to nurture a cadre of management talent that is as diverse as the country's population. In both cases, three broader actions must be undertaken: 1) invest in leadership capacity; 2) evaluate management compensation; and 3) enhance career mobility and explore new talent pools.

Invest in leadership capacity. Over the past decade, enhancing nonprofit management has become a front-and-center concern of the social sector. Sector leaders such as Paul Brest, president of the William and Flora Hewlett Foundation, Michael Bailin, former president of the Edna McConnell Clark Foun-

ment is. And management advisers such as the Bridgespan Group, as well as the nonprofit practices at McKinsey & Company and the Monitor Group, have grown to assist more nonprofits in capacity building.

Those developments are a step in the right direction, but only a step. Foundations and nonprofits themselves must take the next steps. Only about 20 percent of all foundation funding in 2003 was dedicated to general operating support, with the remainder earmarked for specific programs.¹¹ That statistic reflects the implicit belief that spending on leadership – recruiting expenses, training costs, salaries, and benefits – should be held to a bare minimum, as should the number of senior positions. But not all overhead is equal. Leadership capacity is what matters most to the long-run effectiveness of any organization, including nonprofits. Consequently, foundations should ensure that their financial and other support for grantees includes resources for leadership development.

It takes time as well as money to build an excellent leadership team. Many successful business CEOs spend well over half their time on people-related issues. In contrast, the executive directors of nonprofits tend to devote the bulk of their time to fundraising.¹² To build stronger, higher-impact management teams, executive directors and other leaders within nonprofits must shift significant time to performance reviews, mentoring, training, succession planning, recruiting, and other human resource functions.

Evaluate management compensation. Talented managers don't join nonprofits to get rich. That doesn't mean, however, that compensation doesn't matter. There is inevitably – and properly – an economic component in a person's career choices, and, during times of increasingly intense competition for talent, even modest changes in compensation – whether up or down – can have a big impact.

Traditionally, nonprofit organizations have attracted out-

standing leaders by offering a wealth of intangible rewards with a relatively modest amount of compensation. But that offer may no longer suffice. Nonprofit managers face increasingly complex challenges, both in fundraising and in operations, and they are being judged by much more rigorous performance standards. Nonprofits will have to pay more for leaders who are prepared for those challenges. The short list of candidates attracted to a chief operating officer job paying \$90,000 looks dramatically different from the one for the same position advertised at \$70,000. The additional \$20,000 attracts candidates who not only are more seasoned, but who also have experience running more complex organizations.

Adopting a new approach to management rewards raises complicated issues, ranging from legal constraints on nonprofits to the public's perception that nonprofit executives already receive too much pay. Boards owe it to their organizations to face those issues squarely, matching increased accountability with increased rewards. They will have to resist hiring underqualified candidates, accept the need to pay qualified can-

didates well, and fill key positions even if that means increasing "overhead" costs. Salaries must reflect the realities of an increasingly competitive marketplace and the preeminent importance of having the right people in leadership positions. To avoid distorted decision making, overhead costs such as occupancy cannot be lumped together with leadership development-related expenditures. Explicit goal setting and formal performance reviews are two tools that can be commonly employed to ensure that the actual performance of leaders meets the expectations inherent in those leadership expenditures.

Explore new talent pools. Greater investment in management and more attractive rewards for managers will not, by themselves, solve the leadership crisis. The nonprofit sector also needs to expand its recruiting networks and to foster greater career mobility for the talented people already at work within the sector.

Up to now, nonprofits have tended to draw their leaders from a relatively small circle of friends and acquaintances. Although personal networking is an essential element of any recruiting

Pundits Weigh In

Paul Brest, president, the William and Flora Hewlett Foundation

"The value of increasing the availability of high-quality nonprofit leaders ultimately depends on whether they are attracted to the organizations that need them. A strategically oriented organization that has adequate resources and considerable autonomy over their deployment is likely to attract talented leaders who, in turn, can achieve real impact. And funding practices can significantly affect these organizational characteristics."

Geoffrey Canada, president and CEO, Harlem Children's Zone Inc.

"It's also becoming increasingly obvious to us that there are young talented program people in our organization who could – if given help and support – become senior management. We will have to go out of our way to provide them with opportunities and experiences that they would not organically

get in their present positions. We need to expose them to areas such as development, budgeting, and working with trustees, and to provide workshops where they can begin to stretch their skill set. These younger program people absolutely need these kinds of experiences over the next five to seven years to ensure that they can effectively take over the reins of leadership."

Jim Collins, author and consultant

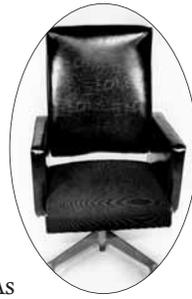
"What to do? I'm more of a researcher than a practitioner, so allow me to offer a method of analysis that might shed light on the question. I might suggest an analysis of effective nonprofit leaders, with a special emphasis on comparing leaders who made a successful shift from business to nonprofits in contrast to others who did not make a successful shift in comparable circumstances. Why did some succeed and others not? What does this teach us about what separates those who become effective

nonprofit leaders from those who do not? And how can those lessons best be deployed to create a vast army of effective nonprofit leaders?"

"Whatever the answer, I'm convinced that Tom has identified the right question. Those who build greatness in any human system understand that it all starts – first, foremost, and always – with getting the right people into the key seats. First Who! ... Then What. Money is a commodity; talent is not. Time and talent can often compensate for lack of money, but money cannot ever compensate for lack of the right people, especially in the key leadership seats. In the end, the most important thing is 'The Who Thing.'"

Ami Dar, founder, Action Without Borders/Idealist.org

"We also agree that what is often lacking is willingness from nonprofits and funders alike to invest in professional development and salary packages to



process, it will not produce all the leaders needed in the coming decade. We simply don't know enough people. As competition for leadership talent intensifies, nonprofits will need to expand their recruiting horizons by looking beyond their immediate circles of contacts.

Three significant pools of new leadership talent are already available. One is the baby boom generation. A recent study by the MetLife Foundation and Civic Ventures concludes that, contrary to conventional wisdom, many baby boomers want to continue to work after retirement age. Two-thirds of the 50- to 70-year-olds surveyed said they intend to continue working; fully half of them (and nearly three-fifths of those in their fifties) hope to work in organizations with social missions.¹³

In addition to the boomers, many people at the midpoint of their professional lives are thinking about finding new outlets for their talents. By reaching out to midlife career-changers, the sector would both gain new sources of leadership talent and provide collegial resources for existing leaders.

The third untapped pool of potential leaders is young man-

While the sector stumbles, the deepest suffering will be visited upon the millions of people who rely, directly and indirectly, on the services that nonprofits provide and the social value they create.

agers in training. In 1990 there were 17 graduate programs in nonprofit management in the United States. Today, there are well over 90, and more than 240 programs offer nonprofit courses.¹⁴ The young people who follow such courses of study not only are committed to serving the nonprofit sector, but are also more qualified to do so as a result of their training.

both draw great people into the sector and sustain them throughout their careers. In some cases, it seems to be against senior management's self-interest to address this issue. They are in a position to protect their own salaries and they can rely on a steady stream of entry-level employees who often leave after a couple of years. In other organizations, funding and reporting pressures make staff development very difficult. In both cases, the development of managers and leaders is not a priority, and as often happens in our sector, there are few if any personal incentives in place for senior managers to try to hire the best people they can find."

Kathleen P. Enright, *executive director, Grantmakers for Effective Organizations*

"Effective leadership is at the heart of every innovation and every bit of progress the nonprofit sector makes. Yet we consistently and habitually neglect the sector's most valuable resource: its people. The result, as Tom Tierney's paper suggests, is an imped-

ing tragedy of the commons in which the demand for nonprofit management talent will greatly outstrip the supply. Nonprofits will battle and poach for experienced people – leaving no organization properly deep. Valuable energy will be wasted in countless leadership transitions, and very few organizations will have the depth of leadership to survive a crisis."

Marc Freedman, *president and founder, Civic Ventures*

"There is one place we need to concentrate our quest for talent: the vast population of aging boomers now moving into their 50s and 60s.

"We won't find the numbers anywhere else. ... And it's not just about warm bodies. We've invested an enormous amount in building up the human capital of this newly aging generation. We couldn't build campuses fast enough in the 1960s and 1970s when they were starting out. Why not recapture these investments – many made with public dollars – in a way that strengthens the greater good?"

"There are two additional reasons to think this direction makes sense. First, changes in the numbers of Americans over 50 are matched by transformation in the nature of the post-midlife period. Buoyed by gains in longevity and health, this new generation of 50- and 60-somethings is poised to invent a new stage of life, and of work.

"Second, there is growing evidence that a significant segment of these individuals is yearning to renegotiate its relationship with work, in a way that not only is more meaningful personally, but means something beyond themselves."

Brian Gallagher, *president and CEO, United Way of America*

"As a sector we must do a great deal more work identifying the predictors of success of our future leaders, especially those who come from outside the sector. Many of the skills required to lead a successful for-profit business, for instance, do not necessarily translate to leading a major nonprofit. Just as I could not easily go and run a major

Nonprofits can also cast their hiring nets among groups that have been systematically excluded from the recruiting process because of their lack of social sector connections. Such groups include veteran business managers, experienced civil servants, military officers transitioning to civilian life, and women who want to re-enter the workforce after working at home to raise a family. By changing their assumptions about recruiting, and by experimenting with part-time positions, flexible career paths, job sharing, and training and mentoring, nonprofits and their boards can open up substantial new streams of leaders. They could also increase the diversity of their workforces.

In addition to attracting new talent, the nonprofit sector needs to build the infrastructure required to ensure that its existing talent is visible and mobile. A handful of such initiatives is already under way, including American Humanics, an alliance of colleges, universities, and nonprofits that aims to educate and prepare professionals to lead nonprofit organizations; CompassPoint's Executive Leadership Services and Executive Transitions division; Bridgestar, an initiative of the Bridgespan

Group that focuses on talent matching for senior leadership; and Idealist.org, a project of Action Without Borders that connects nonprofits and individuals eager to serve. In building the sector's management ranks, much will depend on how quickly and effectively infrastructure-related initiatives can increase their scale.

What If?

Unfortunately, the short-term consequences of being light on leadership are tolerable. Nonprofits already do so much with so little – why not do a little more with a little less? Yet day after day the leadership deficit will take its toll as organizations across the sector fall short of their potential. Staff will become frustrated, donors discouraged, and reputations tarnished. And while the sector stumbles, the deepest suffering will be visited upon the millions of people who rely, directly and indirectly, on the services that nonprofits provide and the social value they create.

software company, the opposite is also true.

"Developing a set of research-based senior leadership competency models would allow us to develop executive training strategies that were more likely to succeed. There have been some very high profile failed executive search placements in major nonprofits recently because the parties did not clearly understand the political and operating complexities of the nonprofits involved and the skills that were transferable (or not) from other sectors."

David Gergen, professor of public service and director, Center for Public Leadership, John F. Kennedy School of Government, Harvard University

"As bracing as the study's conclusions are, however, it probably understates the leadership deficits that could be just over the horizon for nonprofits. The fact is that the federal government has entered into such dire financial straits that in future years we will probably invest an even smaller percentage of our national resources on health,

education, and environmental programs for the underserved population – and create an even greater need for nonprofits to expand.

"At the beginning of this decade, we thought we had sufficient surpluses to pay for a transition from today's Social Security and Medicare systems to ones that might be more affordable. But those surpluses have now disappeared, and the front edge of the baby boom generation is only five years away from reaching 65. How will Washington pay for its retirement and still respond generously to the social needs of the young? It probably won't. And we will want an even bigger nonprofit sector to make up the difference."

Paul C. Light, professor, Robert F. Wagner School of Public Service, New York University

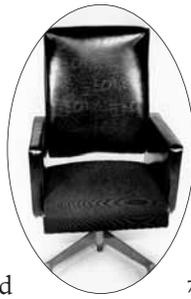
"The nonprofit sector's leadership deficit is both a cause and consequence of continued public doubts about charitable performance. The leadership crisis creates inevitable meltdowns in nonprofit performance, which reduce

public confidence, which whets the appetite for further investigations, which weakens the case for decent compensation and increased operating support, which in turn creates greater leadership turnover and vacancies. It is a classic vicious circle.

"The sector must do much more than make its call to leadership more appealing. Although debt relief, decent compensation, and a welcoming embrace of for-profit executives who wish to cross over into the sector will increase the pool of potential talent, the sector must also make the leadership more inviting by building stronger organizations both before and after the new leaders arrive. The allure of leading what Tierney describes as a 'life-transforming' nonprofit may be strong, but the administrative infrastructure cannot be so weak that talented leaders see nothing but repairs ahead."

Jan Masaoka, executive director, CompassPoint Nonprofit Services

"One area that goes overlooked is that



There is another future – one in which a robust nonprofit sector effectively addresses society’s needs and achieves ever-higher levels of performance, where the escalating wealth transfer generates exceptional social return. In this future, the leadership crisis is averted, or at least mitigated. A new generation of leaders emerges from within nonprofit organizations, while diverse cadres of senior talent enter from without.

Both futures are possible. We can shift our talent to help the sector meet society’s escalating demands, or we can allow its leadership deficit, with its debilitating consequences, to widen. The choice is ours. □

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of racial and ethnic diversity in tomorrow’s nonprofit leadership. Many studies, including CompassPoint’s ‘Daring to Lead 2006,’ show that nonprofit executives continue to be largely white/Anglo. It is troubling that our sector, where so many civil rights movements have been nurtured, does not seem to be taking advantage of the talented and capable leaders of color who are ready to step into leadership.”

Jon Schnur, CEO and co-founder, New Leaders for New Schools

“While Tierney’s paper speaks of the need for 640,000 managers, my focus is on the star senior leadership and management team members who can take 50 high-performing social enterprises to great scale and change America and the world. We can use the looming ‘shortage’ as an opportunity to transform the way high-performing nonprofits can be managed and led to scale.”

Lorie Slutsky, president, New York Community Trust

“Many people are unaware of the

complex operations some nonprofits run and the need for specialized talent. They may not know that workforce development entails working with prospective employers, following business trends, and training undereducated people to fill jobs successfully. They may not realize that financing and building housing is no different from what it is for private developers, except it is harder because it must be affordable for those with modest and low incomes. The list of nonprofit operations that require expert staff is very long.”

Roxanne Spillett, president, Boys & Girls Clubs of America

“Tom Tierney makes a clear and compelling case that unless there is intentional and widespread intervention beginning now, the nonprofit sector will soon encounter a leadership deficit of dramatic proportion. What makes the need to act even more urgent is the simple fact that the quality of executive leadership is the single greatest factor in predicting the future

success of an organization. It follows then that developing and recruiting top executive leadership is one of the greatest priorities for the nonprofit sector. This is in fact the position and the priority for the Boys & Girls Club Movement.”

Tom Vander Ark, executive director, education, Bill & Melinda Gates Foundation

“This report is one of the first attempts to quantify the mounting challenge of developing nonprofit leaders. Investing in leaders, improving compensation, and expanding recruiting efforts are important parts of the solution. Nonprofit organizations have the potential to build the civic and educational infrastructure our children deserve, but only if they have the leadership to achieve their missions.”

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