

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**

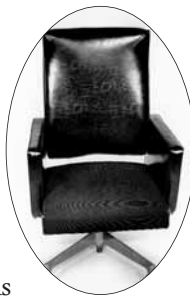
"What to do? I'm more of a researcher than a practitioner, so allow me to offer a method of analysis that might shed light on the question. I might suggest an analysis of effective nonprofit leaders, with a special emphasis on comparing leaders who made a successful shift from business to nonprofits 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.<sup>13</sup>

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.<sup>14</sup> 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**

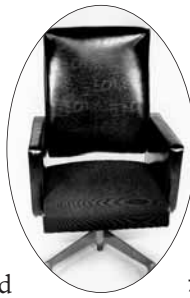
"The nonprofit sector's leadership deficit is both a cause and consequence of continued public doubts about charitable performance. The leadership crisis creates inevitable meltdowns in nonprofit performance, which reduce

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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