

The Nonprofit Sector's Leadership Deficit

Executive Summary

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Whether it is helping a teenage mother learn to care for her child, training an ex-convict to get a decent job, or aiding disaster victims, nonprofits increasingly do the work required to fulfill our desire for a civil, compassionate, and well-functioning society. Like most organizations, their ability to consistently deliver these results depends more on the quality of their people than on any other single variable. Yet today nonprofit organizations struggle to attract and retain the talented senior executives they need to fulfill their missions. Over the coming decade, this leadership challenge will only become more acute.

The Bridgespan Group recently carried out an extensive study of the leadership requirements of nonprofits with revenues greater than \$250,000 (excluding hospitals and institutions of higher education). We found that:

Over the next decade, these organizations will need to attract and develop some 640,000 new senior managers—the equivalent of 2.4 times the number currently employed.

If the sector were to experience significant consolidation and lower-than-forecast turnover rates, this number might fall as low as 330,000. On the other hand, given historic trends, the total need could well increase to more than one million.

By 2016, these organizations will need almost 80,000 new senior managers per year.

The projected leadership deficit results from both constrained supply and increasing demand. The key factors include the growing number of nonprofit organizations, the retirement of managers from the vast baby-boomer generation, movement of existing nonprofit managers into different roles within or outside the sector, and the growth in the size of nonprofits. The chart that follows summarizes the analysis.

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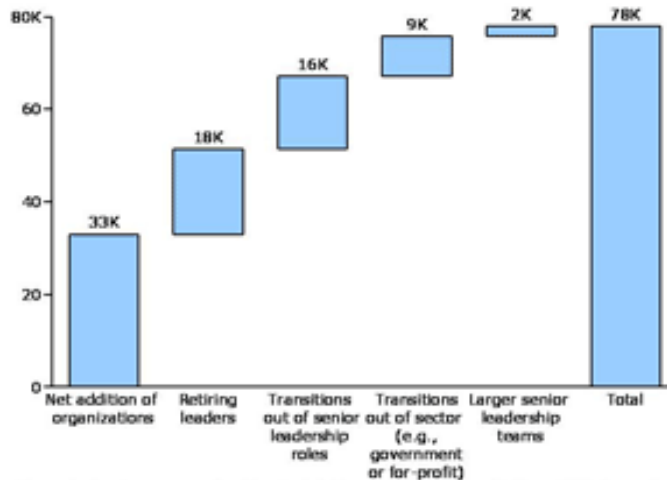
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The nonprofit sector will likely need nearly 80K new leaders in 2016

Number of new senior managers needed (2016)



Note: Transitions out of senior management positions include EDs and senior managers that have left their current position to become a consultant or to take an unpaid volunteer or board governance role. Transitions out of the sector include EDs and senior managers that have left their current position for a job in the government or for-profit sector. Senior management is defined as the most senior tier of management that could include the COO, CFO, CDO, Head of Human Resources, Head of Marketing, Head of Programs.
Source: National Center for Charitable Statistics data; Bridgespan analysis

The leadership deficit is further aggravated by the sector's lack of intermediaries to help in recruiting and developing managers. Nonprofits have neither the size nor the resources to develop large numbers of managers internally, as their for-profit counterparts do. The sector also lacks robust management-education and executive-search capabilities.

Addressing the leadership deficit requires, first and foremost, that all participants in the nonprofit sector—from boards and current managers to foundations and individual and corporate donors—recognize the enormity of the problem and make it a top priority. Three difficult but critical imperatives will need to be addressed:

Invest in leadership capacity. Skilled management is the single most important determinant of organizational success. Nonprofits must invest in building skilled management teams—even if that means directing a greater proportion of funding to overhead. Philanthropy must deliver the operating support required, and boards must reinforce the importance of building management capacity and quality.

Refine management rewards to retain and attract top talent. To recruit more and better leaders, organizations will have to structure more competitive management packages, particularly in light of the push to hold managers to higher performance standards. The greatest rewards of nonprofit careers will always be intangible, but more attractive compensation is critical in times of labor shortages.

Expand recruiting horizons and foster individual career mobility. Nonprofits traditionally tend to hire from a small circle of acquaintances. That practice is no longer sustainable. Recruitment efforts will need to expand to new pools of potential leadership talent, including baby-boomers who wish to continue working, mid-life career changers seeking greater social impact, and the young. At the same time, the sector will need to strengthen and expand its mechanisms for attracting and developing managers and enabling talent to flow freely throughout the sector.

The leadership deficit looms as the greatest challenge facing nonprofits over the next ten years. We can use our unprecedented wealth to strengthen the sector's capacity to meet society's escalating demands; or we can allow its leadership deficit—with its debilitating consequences—to widen. We are at a crossroads. The choice is ours.

Bridgestar (www.bridgestar.org), an initiative of the Bridgespan Group, provides a nonprofit management job board, content, and tools designed to help nonprofit organizations build strong leadership teams and individuals pursue career paths as nonprofit leaders.