



Which Light is Right?

The Impending Leadership Deficit Crisis

by Mark Light and Paul Light

Dear Mark, I know you've seen most of the new research out there on the coming leadership crisis in the nonprofit sector, the most prominent of which comes from Thomas Tierney and the Bridgespan Group.¹ According to Tierney, we're going to be short 80,000 executives by 2016, largely because of the continued growth in the number of nonprofits and the impending retirements of the baby boomers.

The numbers rightly capture the coming generational transition to younger leaders. Baby boomers are working on getting older every day—even if they don't acknowledge it. Maybe it's because a baby boomer always wins the Grammy for best album of the year. We like to think we still rock, but the day of reckoning is certainly coming. We've got to retire sometime, and that's going to poke huge holes in the leadership of our nonprofits. Plus, we know that nonprofits are popping up regularly. The barriers to entry into the sector are so low that anyone can form a nonprofit—even you.

Dear Paul,

And just when I thought all I had to worry about was global warming! I must be sleeping at the wheel here, brother, but I don't quite get the urgency. I admit that the number of estimated openings is scary, but this looks like *déjà vu* all over again. After all, during the 10-year

period from 1993 to 2003, we added about 100,000 *new* senior executives — about 20,000 more than Tierney says we'll need in 2016.²

More important, by focusing on 2016, it gives all of us an excuse to take our eyes off the present and look toward the future, where it is ever so much easier to sleep at night. So, (1) I do not believe there is an impending leadership crisis, and (2) even if there were such a crisis, the best way to deal with it is to help those who currently work in the sector to work longer and better.

In a nutshell, who should be worried about 2016? Certainly not those nonprofit leaders who are getting the stuffing kicked out of them right now, right here.

And relative to your comment about low entry to the sector, I might point out that I was an executive director of a \$2 million nonprofit before I was 30. And that's in stark contrast to the notion that the prime leadership age is 34 to 54. According to your own studies,³ nearly three out of ten small organization executive directors were younger than 40. That's going to be the case in the future. What's the big deal?

My Dear Brother Mark,

The coming leadership deficit will force us to hire more and more young people at a time when we need more experience dealing with greater competition and uncertainty.

Although every generation fears for the future and thinks that younger leaders won't be able to take the stress or understand the complexity, somehow they always do. We're not dealing with a labor surplus anymore, after all—soon it will be time to get out of the way. As a baby boomer, you know that retirement is approaching—at least it shows in our gray hair, what remains of it.

At a minimum, the focus on leadership vacancies forces all of us to confront the reality that we're going to see a major generational shift in the coming years. We simply have to ask whether the pool of potential leaders is big enough to produce enough qualified executives to fill the vacancies. And that means we have to ask whether we either have too many nonprofits or not enough leaders.

Dear Paul,

Wow! That's a broad brush stroke for a very complex picture. You seem to be thinking about nonprofits fairly monolithically. But young leaders and small organizations go together. You already know this from your own research: the younger the leader, the smaller the organization. Younger leaders get a priceless opportunity to learn in these settings, and often move up to the larger organizations, where the vacancies are growing.

Don't get me wrong, I think it's good to be thinking about the future, but I don't want to forget what's going on today . . . like the fact that the median tenure of nonprofit executive directors is just four years, or that only one in six executive directors immediately goes on to another top job, and that ultimately just one in three takes on a second stint.⁴ Can you imagine what it would mean if we could change that number to two in three?

Nonprofits are hard organizations to lead properly, and the stresses are great on leadership. And what are we really doing about that *today*?

Dear Mark,

Look, I'm a big believer in helping nonprofits get through the here-and-now, and I complain constantly about the lack of investment in building effective organizations today. And I believe we are not spending enough time grappling with why anyone would want to become a nonprofit executive given the current state of our organizations.

The nonprofit sector may be the destination of choice for many of America's most talented young people, but they quickly see the devastation caused by under-investment in organizational capacity, which I believe reflects a persistent sense among funders that there are just too many nonprofits out there. Perhaps we ought to be talking about how to hold down the numbers of new nonprofits as the potential solution to the leadership deficit.

I do like your notion that we're burning up good talent right now, but how much of the turnover really results from that and, more to the point, how much of this turnover is good and how much is a real problem? And why are so many executives forced out anyway? Why do so many leave, for that matter, and never go back? You're a recovering executive director who left on your own terms. Are you ready to go back in?

Dear Paul,

Me, back in? You must be kidding; it's

way too much fun to have people mistake you for me. You did it all the time.

You, for instance, appear to have forgotten that even though the causes of nonprofit executive transition have not been deeply investigated, we do have some indicators both for forced and voluntary leaving. As you may recall, a large-sample study of nonprofit hospitals in the '90s⁵ found leadership instability significantly associated with life-cycle stage and board executive relations.

Of course, board relations is also cited by executive directors as one of the top reasons for leaving voluntarily; gee, whiz, golly, what a surprise.⁶ The other reasons are burnout, better career opportunities, and the proverbial pay and benefits. Who knows what other factors may be behind these stated concerns. Still, board executive relations seems to loom large.

I'll never forget hearing one of the greats of nonprofit governance at a BoardSource conference in the mid-1990s say, "To be irrelevant would be a step forward for most boards." It makes sense that this would take a toll on the executive. Whether or not you take my advice, if boards would commit to *first do no harm*, it would be a huge step in the right direction.

I'll also never forget reading your article in this same publication a few years back when you complained about "fads" being visited on nonprofits by well-meaning funders and consultants. Let's hope that worrying about leadership in 2016 doesn't turn into another pestilence.

Dear Mark,

First, no one could mistake you for me—I'm so much taller. Second, isn't it amazing how we've gone from debating the numbers to trying to identify the problems that may lead to unnecessary transition? I like it that you always come around to my point of view. So, nonprofit leadership transition is a problem!

It seems to me that we have a great deal of work to do in the coming years on a host of issues. For my part, as a former executive and wanna-be academic, the biggest challenge is training the next generation of leaders for the changing nonprofit world. Most of our teaching focuses on how to keep body and soul together in a much more competitive funding environment and how to design effective programs. But we do not do enough about how to be a successful leader in this particular environment.

That's something we ought to focus on as soon as possible. Although the baby boomers are not going to leave all on the same day, we *are* going to retire eventually. Put the retirements together with the continued growth in the sector, and I maintain that we have something bordering on crisis.

Dear Paul,

On the existence of "the crisis of executive transition," we may just have to disagree. But if you want to hold to your position, maybe there should be less hyped-up talk about replacing leaders and more thoughtful discussion about making nonprofit leadership a more tenable proposition right now. You've always been a champion of this cause, and perhaps your attachment to the idea of an impending leadership crisis is a mere diversion from that course.

As always, I miss you, and hope to see you soon. By the way, don't forget that you still owe me for high-school.

References

- Alexander, J. A., Fennell, M. L., & Halpern, M. T. (1993). Leadership instability in hospitals: The influence of board-CEO relations and organizational growth and decline. *Administrative Science Quarterly*, 38(1), 74.
- Arnsberger, P. (2005). *Charities and other tax-exempt organizations, 2002*. Washington, DC: Internal Revenue Service.
- Bell, J., Moyers, R., & Wolfred, T. (2006). *Daring to lead 2006: A national study of nonprofit executive leadership*. San

Francisco, CA; Washington, DC: CompassPoint Nonprofit Services, Eugene and Agnes E. Meyer Foundation.

Hilgert, C. (2002). Charities and other tax-exempt organizations, 1993. In *Compendium of tax-exempt studies 1989–1993* (Volume 3 ed., pp. 116–128). Washington, DC: Internal Revenue Service.

Light, P. (2002). *Pathways to nonprofit excellence*. Washington, D.C.: Brookings Institution Press.

Peters, J., & Wolfred, T. (2001). *Daring to lead: Nonprofit executive directors and their work experience*. San Francisco: CompassPoint Nonprofit Services.

Tierney, T. J. (2006a). The leadership deficit. *Stanford Social Innovation Review*, 4(2), 26.

Tierney, T. J. (2006b). *The nonprofit leadership deficit*. Boston, MA: The Bridgespan Group.

MARK LIGHT (mark@firstlightgroup.com) is president of First Light Group LLC., (www.firstlightgroup.com). **PAUL LIGHT** (paul.light@nyu.edu) is a professor at New York University's Robert F. Wagner School of Public Service.

Endnotes

1. Tierney, 2006a; Tierney, 2006b
2. From 1993 through 2002, the number of 501(c)(3) organizations filing returns with the IRS increased 73,955 (Arnsberger, 2005; Hilgert, 2002). We took a conservative approach and assumed the senior leadership teams of organizations with budgets of less than \$500,000 were comprised entirely of volunteers. We then used Tierney's method to estimate the number of senior management team members added: 1.9 for organizations with budgets of \$500K < \$1 million, 2.9 for \$1 million < \$10 million, and 3.8 for > \$10 million. This yielded 96,850 senior executives.
3. (Light, 2002)
4. (Peters & Wolfred, 2001)
5. (Alexander, Fennell, & Halpern, 1993)
6. (Bell, Moyers, & Wolfred, 2006, p. 2)

► **Reprints** of this article may be ordered from store.nonprofitquarterly.org, using code 130310.