Leadership Development in the Third Sector: Facing the Future

Clore Social Leadership

This paper, *Leadership Development in the Third Sector: Facing the Future*, is the second in a series of three papers from Clore Social Leadership which consider the issue of 21st century leadership in the social sector.

Clore Social Leadership has published these papers in a spirit of provocation, and looks forward to a rich debate on the leadership needs of the sector.

This report was researched and written by Richard Harries on behalf of Clore Social Leadership.

About Richard Harries

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Leadership Development in the Third Sector: Facing the Future

> *"The future is already here, it's just unevenly distributed."*
>
> *- Cyberpunk novelist and essayist, William Gibson*

This is the second of three papers looking at leadership development in the third sector. The first reflected on the lessons to be learned from recent experience in the UK and abroad. This paper looks to the future: to the undoubted challenges facing the sector, but also to the opportunities. By its nature, it is both shorter and more speculative than the first paper. Its aim is to draw out the implications for the next generation of leaders and stimulate fresh thinking.

The challenges

Predicting the future is of course notoriously difficult, if not outright impossible. There are simply too many variables in play. To gain a foothold, this paper focuses on a small handful of factors that are both more predictable and of more direct concern to the third sector. And the two biggest challenges facing the sector right now are undoubtedly the 'demographic timebomb' and the implications of the UK's decision to leave the European Union.

Staring with demography, the bare facts are stark. The UK population is getting larger and it is growing older. According to the Office for National Statistics, the population will increase from 64½ million in 2014 to 69 million in 2024, with half of this growth coming from net migration. The median age will rise from 40 to 41 in that time, with more than 1 in 10 aged 75 or over.[1]

For some, these increases might appear quite moderate. Does such growth really warrant the timebomb cliché? A better metaphor is that of the boiling frog. These changes might be slow but they are relentless. That 4½ million increase by 2024 becomes 10 million by 2039; the median age rises from 40 to 41 to 43. Moreover, the impact is already being felt across vital public services, with health and social care budgets under particular strain.

At the same time, the pressure of demographic change is creating new political dividing lines. So, while the economic benefits of inward migration are clear, some worry about the impact on schools, housing and community cohesion. More recently, commentators on both the left and right have expressed deep concern about the plight of the young.[2,3] But politics is a rough game and

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[1] Office for National Statistics, *National Population Projections, 2014-Based Statistical Bulletin*, 2015, http://www.ons.gov.uk/ons/dcp171778_420462.pdf.
[2] Ed Howker and Shiv Malik, *Jilted Generation: How Britain Has Bankrupted Its Youth* (Icon Books, 2010).
[3] David Willetts, *The Pinch: How the Baby Boomers Took Their Children's Future - And Why They Should Give It Back* (Atlantic Books, 2011).

the sheer voting clout of the older generation has led to the worst kind of pork-barrel politics: from free bus passes for millionaires to a pensions 'triple lock' that even the government's own Office for Budget Responsibility (OBR) has felt obliged to criticise publically.[4]

And then there is the challenge of Brexit. With public sector debt hovering at 80% of GDP, the government of David Cameron had previously committed itself to tight fiscal rules that would see year-on-year reductions in spending until at least 2020. At that point the State would have shrunk to just 36% of GDP, its lowest level in over half a century, and the consequences for the entire public realm would have been dramatic. Whether Theresa May and Philip Hammond intend to continue with such a radical fiscal contraction remains unclear. Indeed it is the very uncertainty surrounding Brexit that now seems likely to present the greatest economic threat to communities.

The great irony is that, even without the decision to leave the European Union, this mammoth undertaking to live within our means whatever the human cost is doomed to failure. With pensions, healthcare and other policies skewed so heavily in favour of the ever-growing elderly population, the OBR calculates that public debt will soar to over 100% within 50 years regardless of any short-term pledges to eliminate the deficit (see Figure 1).[5]

Figure 1: Three centuries of UK public debt
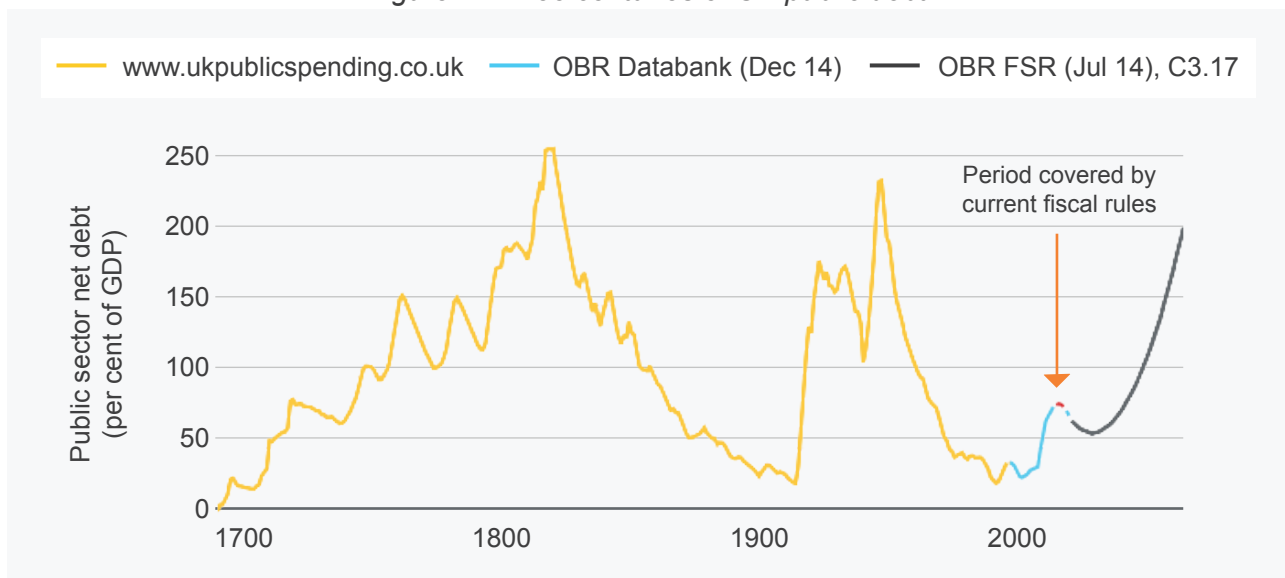
Source: A Framework for Fiscal Sustainability (Reform, 2015)

The risks to the third sector are obvious. Income from public service contracts has already fallen by nearly £2 billion since 2010, while government grants are barely one-third the level they were ten years ago.[6] This trend will continue, and may accelerate. To deliver their charitable objects, leaders will have to embrace new and unfamiliar business models. Already, for example, some charities

4 Ben Riley-Smith, 'George Osborne's Pensions Triple Lock "Will Help Drive Britain into Deficit"', *The Telegraph*, 11 June 2015, http://www.telegraph.co.uk/news/politics/conservative/11669052/George-Osbornes-pensions-triple-lock-will-help-drive-Britain-into-deficit.html.
5 Richard Harries and James Zuccollo, *A Framework for Fiscal Sustainability* (Reform, 2015).
6 'UK Civil Society Almanac 2015 | Income from Government', accessed 6 February 2016, https://data.ncvo.org.uk/a/almanac15/government/.

are placing volunteers in private care homes to deliver much needed additional services to (and protective surveillance of) residents – effectively subsidising profit-making companies.[7] Where else could pioneering third sector leaders take their organisations? And what are the limits of public acceptance for the respective roles of government and civil society?

The opportunities

The consequences of demographic change are not wholly negative of course. A growing army of experienced older volunteers (many with accrued property wealth and guaranteed income from final salary pension schemes) could supply vital extra resources to the sector in its time of need. More important than the quantitative growth in the size and capacity of the elder generation, however, is the qualitative shift in attitudes of the younger generation, particularly those born after 1980. These Millennials are much more civically minded than their selfish Generation X predecessors: the 'we' generation, not the 'me' generation.

Millennials are looking for a different type of leadership. Not for them the stressed-out, burnt-out 'heroic' leader, with no time for delegation and succession planning, desperately trying to hold back the tides of change washing over their organisations. Instead, in the words of US infrastructure body Third Sector New England, they "crave a future with a healthy, vibrant, balanced non-profit working effectively on behalf of its constituents and mission." [8] Nor is this woolly wishful thinking or youthful naïveté. Across the world, Millennials seem genuinely much more comfortable with collaborative and distributed models of leadership.

From 'command and control' to distributed networks

"The field of leadership has long held up heroic individuals as examples of great leaders who could command and inspire organisations. This idea resonated with the public, as well as business audiences who sought to glean leadership secrets from these leaders' books and speeches. However, a future made up of complex, chaotic environments is less suited to the problem solving of lone, decisive authority figures than it is to the distributed efforts of smart, flexible leadership networks.

"This transition in thinking may not come quickly or easily. This was evident in the media's efforts to find the 'leader' of the movement that toppled Egyptian President Hosni Mubarak. Many people were interviewed by the media without it ever becoming clear who was directing the movement. In contrast, the youths who utilized social networking tools to force regime change after 30 years seemed clear that for them leadership was not aggregated in an individual (they didn't have 'a' leader), leadership was distributed throughout their network. This was not the

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7 'Friends of Care Homes', *Attend*, accessed 9 February 2016, http://www.attend.org.uk/projects/friends-of-care-homes.
8 Deborah Linnell, 'The Future of Leadership in the Nonprofit Sector', *Third Sector New England*, 13 February 2014, http://tsne.org/future-leadership-nonprofit-sector.

first generation of youths to be frustrated with Mubarak and want him ousted, but it was the first with the tools and the collective mind-set to make it happen.

"The younger generation's comfort with social networking as the preferred means of connecting and influencing each other suggests that they will have little difficulty in accepting that leadership can be distributed throughout a network. But how quickly will others take on this thinking?"

Source: Nick Petrie, Future Trends in Leadership Development, Center for Creative Leadership

The altruism of Millennials can be seen everywhere. A recent survey of younger workers in the City of London revealed grand ambitions about how they thought they and their employers should contribute to building a more equable and sustainable society.[9] They want to volunteer for causes that match their skill sets and to give money in ways that lead to demonstrable social impact – and they expect their companies to be part of that. What does this mean for the next iteration of corporate social responsibility? And how can third sector leaders turn these good intentions into concrete action?

Of course, no paper looking at future trends would be complete without a section on digital technology. The sheer pace of change – and the opportunities this opens up – is dizzying. The first iPad was launched in 2010. Yet talk to a six-year-old about 'touch screens' now and you get a quizzical look: there are screens that work and screens that are broken when you try to move your finger around on them. In another six years, no doubt we will look back at tablets and smartphones as quaint artefacts.

Indeed this is probably the most important lesson about digital technology: that it's not about the technology. It's about a mindset, a way of thinking about the world around us and how we connect with each other. That is why Facebook has 1.6 billion users and why the most popular operating system in the world, Linux, is maintained by an army of volunteers.[10] The age of the centrally planned, proprietary solutions is long gone.

Yet this is a lesson that many in the third sector have yet to absorb. The proliferation of 'hubs' is testament to this. There are endless calls for hubs "to avoid duplication and overlap", "to bring resources together in one place", "to create a one-stop-shop for charities and social enterprises". This predilection for gathering data into elaborately constructed digital arks is positively antiquated. It is simply not how the Internet works. People don't find things because they've been carefully filed in the same place. If they did, Google would be out of business. Worse, when the ark sinks, its contents are lost without trace. One example: the previous paper referred to the online directory of leadership development opportunities and bank of case studies created by the Third Sector Leadership Centre. Where are they now? Gone, buried at the bottom of the digital ocean.

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[9] Cathy Pharoah and Catherine Walker, *More to Give: London Millennials Networking towards a Better World* (City Philanthropy, 2015).
[10] This second fact often comes as a surprise to many who have never heard of Linux. Yet, while it runs on fewer than 2% of desktop computers, Linux is the leading operating system on the servers that are the backbone of the Internet and on numerous mission-critical business platforms. It is also the core system of Chrome Laptops, Android smartphones and all manner of household devices.

Leadership development online: from MOOC to SPOC

One recent trend to sweep the world of leadership development was the MOOC: the Massive Open Online Course. With their combination of large scale user involvement and content generated by some of the world's most prestigious universities and business schools, MOOCs have radically reduced the costs and barriers to learning.

In 2013, the US Center for Creative Leadership ran 'LeaderMOOC', a pilot programme designed "to reach emerging leaders we would otherwise not be able to reach … for the benefit of society worldwide." [11] The lessons it learned were powerful:

- like all MOOCs, the initial drop-out rate from interested 'enrollees' to active 'participants' was large; only 46% of enrollees actually showed up at the start of Leader-MOOC;
- after two weeks the number of participants had stabilised at around 11% but this figure sank to just 2.9% after eight weeks;
- on the other hand, around 30% of participants handed in their assignment in the first week, rising to 74% by the last week; and of those who handed in the last assignment, 58% earned a badge for the course.

While others (including the World Bank and the German government) have also tested leadership MOOCs, the Center for Creative Leadership has changed course and is now pursuing so-called SPOCs – Self Paced Online Courses – that are similar to more traditional e-courses.

Nevertheless, innovation continues and Harvard Business Publishing has been testing what it describes as 'large cohort MOOCs': programmes deliberately aimed at much smaller numbers, with greater customisation and a mix of live, real-time events. The results so far appear to be encouraging, with completion rates between 50% and 60%.[12]

Once again, however, it is the rise of the Millennials and their ready acceptance of new ways of connecting that offers a glimpse of what the future may hold for the third sector. At one level this could be through innovations in the use of technology, particularly social media, to reach supporters and beneficiaries in ways that work for them. More profoundly, it could be by following the lead of GOV.UK and others, co-opting the underlying open source development philosophy and applying it in creative ways to tackle longstanding social issues, through hackathons, sprints, unconferences and fail fests.[13]

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[11] Bert De Coutere, *To MOOC, or Not to MOOC* (Training Journal, 2014).
[12] Eric Mankin, 'Large Cohorts: When Leadership Development Meets MOOCs', 1 December 2014, http://www.harvardbusiness.org/blog/large-cohorts-when-leadership-development-meets-moocs.
[13] See, for example, Charity Hack Scotland (http://www.charityhackscotland.org/)

The way ahead

In fiction, the future is typically presented either as utopia or dystopia, as Star Trek or Star Wars. Real life is somewhat more mundane. It turns out that tomorrow will be much like today and that next year will be much like this year. Certainly the recent history of leadership development in the third sector, traced out in the previous paper, leaves one with an overwhelming sense of déjà vu. The same diagnoses being made, the same remedies prescribed. Must this dull cycle continue or is there a way to break free from the past?

Reject insularity, embrace instability

If we are to escape the shackles of history, the first step must surely be to abandon the shibboleth that leadership in the third sector is somehow uniquely challenging. Perhaps there was a grain of truth in this once but it makes no sense in a world where the borders between private enterprise, public service and social action have become so porous. As others have recognised with career development more generally, what is needed now is a 'sector blind' mentality that enables – and encourages – movement across the public, private and third sectors.[14]

This does not mean that there is no need for sector specific leadership development support. Quite the opposite. The previous paper established important structural differences, particularly with the hierarchy of the public sector, as well as common cultural challenges, such as the chronic under-investment seen in North America. Nevertheless, third sector leaders of the future have much to gain by adopting a cross-sector approach to their development.

The next step is to recognise – and truly accept – that austerity is not some temporary phenomenon, a phase the country is going through. Austerity is the 'new normal' and it brings with it an inherent instability. Leaders in the private sector like to talk about 'VUCA', a term borrowed from the US military, which stands for:

- **Volatility:** the nature, dynamics and catalysts of change;
- **Uncertainty:** the prospect for surprise, and the sense of awareness of events;
- **Complexity:** the confounding of issues and chaos that surrounds any organisation;
- **Ambiguity:** the haziness of reality and potential for misreads.

More than anything, this seems to capture the situation in which the third sector now finds itself. This paper has explored some of the more obvious challenges and opportunities facing the sector. But these relatively certain trends stand in marked contrast to the growing list of 'known unknowns': from ever-more-frequent 'freak' weather events, to the rise of political populism, to the growing threat of global terrorism.

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[14] Caroline Hukins and Henry Kippin, Leading across the Sectors: The New Career Pathways for Social Change (Collaborate, 2013).

Can the sector attract and retain a new generation of leaders capable not only of surviving in such a hostile and unpredictable environment but with the entrepreneurial nous to thrive under such conditions? How might it equip future leaders so that they are agile enough to navigate these choppy waters, mature enough to seek collaboration with non-traditional partners, and confident enough to hold fast to their core values?

Take the road less travelled

In many ways, the last geological era of the third sector began with, and was defined by, the signing in 1998 of the first "Compact between government and the voluntary and community sector".[15] Despite repeated violations during the 12 New Labour years that followed, leaders in the sector clung to the Compact with all the zeal of true believers. And they cheered loudly in 2010 when David Cameron re-confirmed the new government's commitment to the Compact.

Since then of course financial support for the sector has plummeted and relationships have soured. The Lobbying Act had a chilling effect on charities' campaigning activities in 2015. The collapse of Kids Company has led to calls for tighter governance regulation, as have various fundraising controversies. And now, finally, the death knell has been sounded for the Compact itself with the announcement that government grants cannot in future be used to "support activity intended to influence or attempt to influence Parliament, government or political parties" – a policy in direct contradiction to Compact Clause 1.1.[16]

If the era of the Compact has passed, then what will take its place? Will third sector leaders continue to cleave to the cold embrace of an increasingly penniless government machine? Or will they grasp the opportunity for greater independence from Whitehall and town halls? Can they exploit the retreat of the State to reset power relationships? Can they replace the contractual mentality that defined the previous era with a new integrity and self-confidence, driven by a worldview that sees government as incidental to the task of doing good?

Concluding thoughts: Make way for the Millennials

Reviewing the history of leadership development in the third sector, the previous paper included a quote from Dame Mary Marsh that "social action leaders tend to have longer careers with one organisation" and warning that this could lead to a "skills drain and a growing leadership vacuum." [17] Many would argue that it already has. However, the issue is not limited to paid employees. NCVO estimates there are 943,000 charity trustees in England and Wales, many

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[15] 'History of the Compact', *Commission for the Compact*, accessed 9 February 2016, http://webarchive.nationalarchives.gov.uk/20110314111751/http:/www.thecompact.org.uk/information/100018/100212/history_of_the_compact/.

[16] "Undertakings for the Government – Respect and uphold the independence of CSOs to deliver their mission, including their right to campaign, regardless of any relationship, financial or otherwise, which may exist."

[17] Mary Marsh, *Review of Skills and Leadership in the VCSE Sector* (Cabinet Office, 2013).

of whom perform the role for more than one organisation. Their average age is 57 (with just 0.5% aged between 18 and 24) and, while reliable statistics are hard to come by, it is generally accepted that too many are 'male, stale and pale'.[18]

Is this why so many altruistic and entrepreneurial young people appear disengaged from traditional models of collective social action? Does the sector as a whole risk becoming as out-of-date in the twenty-first century as Industrial and Provident Societies were in the twentieth century? Are the Millennials being blocked by the sticks in the mud?

The final section of this paper has set out a series of choices facing the third sector: questions for current leaders and opportunities for the next generation. Some are decidedly utopian in nature, others more pedestrian. Digital has an important role to play. Not in some antediluvian Web 1.0 way, where users are seen as mere consumers of content, but as an enabler of human enterprise, engaging the whole of the sector and overcoming previously insurmountable barriers of time, cost and scale. What is clear is that nothing will happen unless the conscious decision is made to grip the issue of leadership development in a way that hasn't been tried before. The answer will not be structural, a problem to be solved by creating yet another new institution. The ghost of the Third Sector Leadership Centre is testament to that. Nor will it be regulatory. Some have called for Charity Commission oversight but that beleaguered organisation clearly has no capacity to take on such a role.

Instead what is called for is a new worldview, a way of thinking about leadership that goes beyond individual organisations and across different sectors. An approach that gives leaders individually, and the sector collectively, the time and space needed to step back and reflect. An approach that addresses the challenges and opportunities of the coming century, not those of the past. An approach that is supported financially and practically by the sector itself, led by a 'guiding coalition' of all those who believe, as William Beveridge did, that voluntary action is "the distinguishing mark of a free society".[19]

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[18] Private correspondence with author.
[19] William Beveridge, Voluntary Action: A Report on Methods of Social Advance (Routledge, 1948).

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