Leadership Development in the Third Sector: Bridging Supply and Demand
This paper, *Leadership Development in the Third Sector: Bridging Supply and Demand*, is the third 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.

With thanks to The Calouste Gulbenkian Foundation and The Barrow Cadbury Trust who funded these papers.

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

**About Richard Harries**

Richard Harries is Director of the Power to Change Research Institute. He is a former senior civil servant and has extensive experience of public policy making, particularly in criminal justice, local government and the not-for-profit sector. Richard is a member of the Advisory Council of the National Council for Voluntary Organisations (NCVO) and a nonexecutive director of the civic participation charity, The IARS International Institute.

**Supported by:**

![Calouste Gulbenkian Foundation UK Branch](image1)

![Barrow Cadbury Trust](image2)
“Leadership in the sector is more demanding than ever. The skills, abilities and knowledge we are expected to have as leaders is growing and expanding all the time. We have to know how to manage people, finances, IT, premises, services, projects, volunteers, trustees! We also need to measure impact, assess need, raise funds, write bids, all with a great amount of enthusiasm and energy. We need to know how to develop businesses and stay true to our charitable objects. A great deal is asked of us and this is changing as the external social and political environment shifts. Leadership skills are absolutely essential, but they are far broader than ever. We need experienced leaders developing programmes that help us prepare for the future of the sector.”

- Survey respondent, law and advocacy sector, £500,001 - £5,000,000 income

Introduction

This report complements two earlier papers on leadership development in the third sector. The first reflected on the lessons to be learned from recent experience in the UK and abroad; the second speculated on what the future might hold. By contrast, this third report seeks to capture the situation as it stands right now, based on a survey of 499 medium, large and major charities and social enterprises completed at the beginning of 2016. It includes a 12-point plan to transform social leadership and address the issues raised across all three papers.

The report paints a picture about the leadership issues that matter most to these organisations, the types of development opportunities they consider to be important and how much they are willing to spend on it. It also captures in their own words what matters most to them and why. What is more difficult to determine is how these views and opinions differ from their counterparts in the private and public sectors.
This is not for want of strongly held opinions on the topic. Few of these views, however, are supported by publicly available quantitative data. The only up-to-date comprehensive analysis comes from the Chartered Institute of Personnel and Development. From this we learn there is a hard core of 10% of organisations in the wider economy that do no leadership development. The comparable figure from our survey is significantly larger at 30% (a figure that grows to 57% of medium-sized respondents). In other words, third sector organisations are three times more likely to ignore the development of their leadership cadre.

A more positive way to look at this is to acknowledge that the majority of charities and social enterprises do undertake some form of leadership development. Indeed, what emerges from this report is a landscape where leadership is recognised as an issue critical not only to success of the individual respondents, but to the sector as a whole. However, both time and money are in short supply and this is restricting levels of investment, with charities and social enterprises spending at most 0.5% of their annual income on leadership development.
What matters most to charities and social enterprises?

“We are a small organisation with nine staff. I am a busy CEO. I ought to devote more time to accessing leadership development for myself and my team but I am too busy!”
- Survey respondent, health sector, £500,001 - £5,000,000 income

Prior research identified five factors commonly associated with the decision to support leadership development across the public, private and third sectors:

- the availability of time to invest in leadership development
- the availability of resources to invest in leadership development
- identifying leadership talent;
- succession planning; and
- accessing leadership development programmes.

Survey respondents were asked to rank each of these factors on a scale of 1 to 5, where 1 represents “Not at all important”, 3 is “Quite important” and 5 is “Very important”. Analysis of the net importance of these issues reveals that availability of time is the most important factor overall, whilst the ability to access leadership development programmes is the least important.\(^5\) Looking in more detail at the responses by size of organisation it is notable that, whilst identification of leadership talent is the most important issue for large and major charities, it is actually the least important issue for medium-sized respondents.

How important are the following leadership issues to your organisation?

![Net importance chart](chart.png)
What are they doing about it?

“Just to reiterate that whilst it may be short sighted, many organisations are struggling to keep afloat and so staff development that has added costs is one of the first things to be slashed from budgets.”

- Survey respondent, social services sector, £100,001 - £500,000 income

Reflecting the importance placed on leadership development, it is not surprising to find that seven in ten respondents report undertaking some form of development activity over the previous 12 months. Again, however, this proportion varies considerably by size of organisation: from well under 50% of those with an income less than £500,000 to nearly 90% of those with an income over £5 million.

Those who said they had undertaken leadership development over the last 12 months were asked which of 11 common types of development had been accessed. Only a handful selected the full suite; typically respondents identified three or four. External training was by far the most popular response, followed by external coaching and board training and governance. Secondments and sabbaticals were the least popular.

Did your organisation undertake any leadership development last year? (by income group)
Charities and social enterprises were also asked how much they spent on leadership development. Despite many individual comments about the affordability of training, relatively few respondents actually spent nothing at all. For medium and large organisations, the most likely response was between £1,001 and £5,000; for major organisations it was some ten times larger. In practice, this would suggest that respondents are typically spending between 0.1% and 0.4% of their annual income on leadership development.\textsuperscript{7}

\begin{quote}
\textit{“It is way, way, way too expensive... or rather, the costs are way more than we can afford on a very tight and falling income.”}

- Survey respondent, social services sector, £100,001 - £500,000 income
\end{quote}
However, there is a wide variation in spending across sectors. For example, 30% of those in the education and training sector paid nothing at all in the previous year, compared to 43% of those in the housing sector who paid over £10,000.8

How much did your organisation spend on leadership development last year?
(Distribution by income group)

How much did your organisation spend on leadership development last year?
(by sector)
What else did they say?

“As is often the case with charities, the biggest barrier we face with leadership development is having the resource (both time and money) to invest in it. We very much want to invest in it but the money to do is scarce.”
- Survey respondent, social services sector, over £5,000,000 income

As well as asking a series of ‘closed’ questions (i.e. where respondents are asked to choose from pre-defined lists of answers) there were also two ‘open-ended’ questions at the end of the survey:

- “What has your organisation found most effective as a means of developing leadership?”
- “Is there anything else about third sector leadership development that you would like to tell us?”

Three quarters of respondents answered the first question, with comments ranging from the specific (“Clore Social Leadership Programme”) to the generic (“Coaching”), and from the practical (“Cross-sector learning”) to the philosophical (“Crises”). By far the most common response was a combination of peer support, mentoring and coaching, which together were mentioned by over 40% of respondents who offered a view. Other, more reflective, answers included:

- “An in-house ‘pass it on’ culture which nurtures leadership talent and builds in succession planning to our long term thinking. We have been fortunate to have access to free leadership and progressive management training through the NHS Leadership Academy which offers places for third sector partners.”
- “A combination of external support from skilled, experienced trustees. Carefully selected courses and internal mentorship and coaching.”
- “As a small organisation, opportunities are limited. However, our size also allows all staff to witness and experience organisational development and strategy issues that might otherwise be denied them in a larger charity. Attendance at Board meetings, direct contact with senior volunteers and fulsome representation of the charity by them to external organisations and agencies encourages this.”
Slightly less than half of respondents (45%) answered the second question, offering their thoughts on issues they feel to be important. Unsurprisingly, their comments ranged over a wide spectrum of views, some of which have been quoted throughout this report. Nearly a quarter of their comments (23%) relate to the cost or value for money of leadership development, whilst just one in ten offered views on the distinctive role of the third sector and/or the values needed by sector leaders.

“I have learned a lot about this, my first CEO job, on my feet. After three years in the role, I have finally signed up to a two-day leadership course. This is thanks to Big Lottery ring fencing part of their grant for ‘building capabilities’, which has enabled the trustees to prioritise training for myself and the management team. In a small charity there are always other things to spend money and time on, but I see leadership development as crucial - and not just for the CEO.”

- Survey respondent, social services sector, £100,001 - £500,000 income
Conclusion

“This was a short survey, designed that way deliberately to ensure a good response rate. Nevertheless, despite its brevity it is revealed a number of key issues:

• leadership matters to charities and social enterprises right across the spectrum;
• but their capacity to act is constrained by both time and money;
• and there are concerns that many of the existing development opportunities available do not represent good value for money.

In other words, the market for leadership development is broken. The fact that accessing leadership programmes is the least important of the five factors surveyed suggests there is no dearth of supply in the market. Yet demand is going unmet. The question is, what is constraining that demand?

“Most of our funding is for frontline service provision with little contribution to overheads. This makes it very difficult to develop the organisation’s leadership team which impacts on sustainability, expansion, and staff retention.”
- Survey respondent, domestic abuse service provider, £100,001 - £500,000 income

“Demand led voucher/grant systems do not work, as they bias towards one to one ‘consultancy’ support and against cohort based peer learning programmes, which are popular, better value and proven to work.”
- Survey respondent, social enterprise, £500,001 - £5,000,000 income

Is it about money? Yes, partly. More than half of medium-sized respondents (with an annual income of at least £100,000) invested nothing at all on leadership development. And right across the income spectrum, the actual amount respondents’ spent on leadership was very low, with a significant proportion expressing a clear desire to secure better value for money.

“In 25 years’ leadership experience in the sector the biggest barrier to development is money, closely followed by the sense that it is somehow wrong to invest in leadership training. It’s regarded a bit like snake oil by too many!”
- Survey respondent, helicopter emergency medical service provider, over £5,000,000 income
Is it about stigma? This was something that Dame Mary Marsh identified in her review three years ago: “We too often give the impression that it is wrong and selfish to focus on personal leadership development.” While there is less direct evidence for this in the numbers, a trace of guilt does seem to lie behind many of the comments made by respondents.

“It can be difficult to decide to spend ‘public money’ for your own organisational development in tough economic times when every penny is scrutinised, but you know how vital that development is for continued success.”
- Survey respondent, residential care sector, over £5,000,000 income

A 12-point plan to transform social leadership

Drawing all this together, and setting it alongside the issues raised in the previous two papers in this series, it is clear that a bold new approach is called for. In collaboration with the team at Clore Social Leadership, we propose a comprehensive 12-part strategy to deliver a step change in the support given to social leaders in the UK.

1. Use the current challenging climate to promote the value of leadership
   The social sector has been heavily criticised by the media and the public, and also by the Charity Commission. It is therefore likely to support initiatives that help to demonstrate better practice.

2. Achieve scale and critical mass quickly
   Individual leaders can find it a lonely road to travel, often complaining that their organisations are not ready for real growth. To achieve impact, a time-limited but substantial ‘surge’ of training and development is recommended for those in leadership positions. Not only will organisations be better run, but there is good reason to believe that empowered leaders inspire and support other managers and emerging leaders.

3. Understand and segment the market
   Leaders in the third sector are a diverse group, and understanding what leadership development they need and how they learn is essential. To support this, Clore Social Leadership has devised a seven-category segmentation which, for example, includes community leader, emerging leader, board leader etc. (see Annex C.1). The focus of leadership development needs to have a ‘just in time’ approach, so that leaders get the support they need when they most need it. In-depth research and intelligent use of data will be critical to achieve the horizontal and vertical saturation required.
4. **Make training affordable**
   From the survey in this report, we know that cost is a major obstacle for CEOs who want to train and develop their staff. Online learning, economies of scale and developing low-cost, high-volume options are vital to tackle the problem effectively.

5. **Focus on the three elements of ‘making a market’**
   The survey reveals other barriers that social leaders face. They lack information about: (a) what training was appropriate (b) where to find it and (c) how to gauge its quality. To create an effective market, and ensure efficient brokering, the supply side needs stronger organisation, with clear information and signposting. Equally important is the need to stimulate appropriate demand behaviour – leaders must value training and see the benefits.

6. **Innovate - especially around digital technology**
   Leadership training is a constantly evolving field. New challenges call for new skills and behaviours. The advent of digital technology offers many more learning and communications options. Currently, the sector lags far behind on both leadership and digital solutions – bringing innovation to sector leaders will be an essential part of any strategy, opening the market up to reach even more leaders.

7. **Invest in good infrastructure**
   To be truly impactful and effective, the leadership surge must be strategic, thoughtful and deliberate. It will require significant investment and an infrastructure of staff, knowledge and networks to support it. As the market for leadership development matures, this ‘surge’ approach, and the associated infrastructure, can then be scaled back.

8. **Create a supportive leadership community**
   Evidence from Clore Social Leadership’s fellowship programme illustrates the value of peer groups in learning and continued support. Any new approach should aim to create a community of social and ethical leaders who learn from each other and are mutually cooperative and reinforcing, supported wherever possible through digital solutions and social media.

9. **Create an appetite for good leadership education**
   The third sector often ‘makes do’ and too often settles for poor management. Showcasing good practice in management, creating great role models and quantifying the benefits for users are vital to stimulating the demand for good leadership. Equally important is the leverage and soft power that funders and the Charity Commission can have in persuading trustees and CEOs to upskill.
10. **Adopt a policy-led and evidence-based approach to leadership**

Current governance and leadership training has been developed in an ad hoc way with little public research about the sector and its needs. To achieve critical mass, a new approach is needed, where policies are clearly articulated and based on sound research methodologies and an open access evidence base.

11. **Know what good leadership looks like**

As an ideal, every organisation should have, at the minimum: (a) good governance training for new trustees (b) new-to-management training for supervisors and team leaders, and (c) leadership training for emerging leaders. Furthermore, every leader should be clear about what capabilities they are expected to develop during their career as social leaders (see Annexes C2 and 3).

12. **Deliver a short period of sustained and substantial investment**

Training and development does not need to be expensive and in the long term, can be delivered at low cost. However, bringing managers up to speed quickly, giving trustees a learning boost, building a technical infrastructure, creating databases, IP and management systems will take considerable investment. There are many rewards to be reaped from this approach but it must be driven by a deliberate strategy, supported by substantial investment from government and charitable foundations.
**Annex A: Details of the survey**

The non-random survey was carried out between 21 January and 12 February 2016, based on email lists provided by ACEVO, the Calouste Gulbenkian Foundation, the Garfield Weston Foundation and Clore Social Leadership. Only 12 respondents reported an annual income less than or equal to £100,000 (with 5 five more who did not know their income). These were judged unlikely to be representative of the very large number of organisations known to be in this income bracket and were therefore excluded from the analysis. This produced a total sample size of 499.

**Income distribution of survey respondents**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>£100,001 - £500,000</td>
<td>97</td>
</tr>
<tr>
<td>£500,001 - £5,000,000</td>
<td>259</td>
</tr>
<tr>
<td>Over £5,000,000</td>
<td>143</td>
</tr>
</tbody>
</table>

Just over half of the sample was represented by four sectors: health, education, social services, and culture and recreation. Caution is required when drawing conclusions about sectors where the sample size falls below 30.

**Sector distribution of survey respondents**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>10</td>
</tr>
<tr>
<td>Grant-making foundations</td>
<td>14</td>
</tr>
<tr>
<td>Employment and training</td>
<td>16</td>
</tr>
<tr>
<td>International</td>
<td>17</td>
</tr>
<tr>
<td>Environment</td>
<td>18</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>36</td>
</tr>
<tr>
<td>Social services</td>
<td>55</td>
</tr>
<tr>
<td>Education</td>
<td>55</td>
</tr>
<tr>
<td>Health</td>
<td>111</td>
</tr>
<tr>
<td>Other</td>
<td>167</td>
</tr>
</tbody>
</table>

Sectors are based on the standard NCVO classification. “Other” sectors include development, law and advocacy, religion, research, playgroups and nurseries, scout groups and youth clubs, umbrella bodies, and village halls.
Annex B: The ratio of spending on leadership development to income

Survey respondents were asked to classify their income into three categories:

- Medium: £100,001 - £500,000
- Large: £500,001 - £5 million
- Major: Over £5 million

They were also asked whether they had undertaken any leadership development in the last twelve months and, if so, to classify how much they spent into six categories:

- Nothing
- Up to £1,000
- £1,001 - £5,000
- £5,001 - £10,000
- £10,001 - £50,000
- Over £50,000

The lack of exact data for income and spend makes calculating the ratio of spending to income difficult, particularly at the upper end of each of the two groups (ie. ‘Over £5 million’ and ‘Over £50,000’).

<table>
<thead>
<tr>
<th>Did your organisation undertake any leadership development last year?</th>
<th>No</th>
<th>Yes</th>
<th>Average amount spent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(£0.00)</td>
<td>Nothing (£0.00)</td>
<td>Up to £1,000 (£300.00)</td>
</tr>
<tr>
<td>£100,001 - £500,000 (£300,000.50)</td>
<td>57%</td>
<td>5%</td>
<td>16%</td>
</tr>
<tr>
<td>£500,001 - £5,000,000 (£2,750,000.50)</td>
<td>29%</td>
<td>4%</td>
<td>17%</td>
</tr>
<tr>
<td>Over £5,000,000 (£5,000,000.00)</td>
<td>14%</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Table excludes respondents who answered “Don’t know”. Figures in brackets indicate the assumed mid-point expenditure and income.
### Annex C: Models of social leadership

#### 1. Seven-category segmentation matrix of leadership

<table>
<thead>
<tr>
<th>Systemic, visionary leadership skills</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic business skills</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Technical skills, mgmt, governance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personal effectiveness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior leaders</td>
<td>Community leaders</td>
<td>Emerging leaders</td>
<td>Aspiring CEOs</td>
<td>Senior leaders</td>
</tr>
</tbody>
</table>

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2. **Framework for Social Leadership**

This framework indicates the different aspects of training and development that emerging leaders need to acquire over the course of their careers to become effective leaders.

Clore Social Leadership’s fellowship programme is based on this framework.
3. Clore Social Leaders’ Capabilities Framework

**INSPIRATIONAL COMMUNICATOR**
- Relates to others with authenticity
- Influential and confident
- Clear expression of mission and values
- Agile, able to modify approach and re-frame based on feedback

**EMPOWERING ENabler**
- Empowers others to take on new challenges and training
- Role model to others, pursues continuous self-development
- Cultivates an environment where others can excel
- Exhibits a growth mindset, with a readiness to learn

**COURAGEOUS CHANGEMAKER**
- Courageous and drives change
- Responsible risk taker
- Develops innovative solutions with and through others
- Curious, has foresight and asks why

**FOCUSED STRATEGIST**
- Continuously seeks organisational improvement for the people they serve
- Reflective and utilises complex information
- Delivers on outcomes
- Resourceful and strategic, considers wider systems and context

**GENEROUS COLLABORATOR**
- Establishes and grows collaborative partnerships and relationships
- Generously shares information, assets and time
- Builds trust through seeking and giving feedback
- Invites inclusive contribution, values skills and knowledge

**PASSIONATE ADVOCATE**
- Cause passionate, committed to the mission and people they serve
- Strong moral compass
- Wide civic responsibility, engages in debate and activities
- Looks within and beyond sector to find solutions for social change
Endnotes

1. The income categories used in this report match those used by the Charity Commission: £0-£10,000 (micro), £10,001-£100,000 (small), £100,001-£500,000 (medium), £500,001-£5,000,000 (large), Over £5,000,000 (major). Note that these differ from the categories used by the National Council of Voluntary Organisations.

2. This report excludes micro and small charities because of the very small number who responded. More detail about the survey can be found at Annex A.

3. Learning and Development 2015: Annual Survey Report, Chartered Institute of Personnel and Development. The survey was sent out to learning and development specialists in the UK in January 2015. Of the 541 responses received, nearly half were from the private services sector, a quarter were from the public sector and the rest were evenly split between manufacturing and production and non-profit organisations.

3. Annex B sets out the proportion of respondents answering “No” to the question “Did your organisation undertake any leadership development last year?” in each of the three income groups; the overall proportion was 30%. The CIPD survey asked respondents if they would be “carrying out leadership development activities in the next 12 months”. Note also that 15% of the CIPD sample came from non-profit organisations; this is likely to depress slightly the comparable proportion.

4. ‘Net importance’ is calculated by subtracting the number of respondents scoring 1 or 2 from the number of respondents scoring 4 or 5, and then dividing this by the total number of respondents.

5. There was also the option to add a development opportunity not on the list. Typically, these were qualifications-based external training programmes such as those offered by ILM.

6. See Annex B for details of this estimate.

7. Note however that the size of the housing sector sub-sample in the survey was very low so any estimates are likely to include a higher amount of random error.