GatenbySanderson

Thriving in the age of disruption
How leaders are adapting for the future

Foreword

What does it really mean to be a great leader in the Sector today? What does that mean for the Chief Executive role in three, five or ten years' time? And what do we mean by outstanding chief executive? In reality, many directors never make it to the top. Why does this happen? Is it simply because people don't want the responsibility of the role? Or are there traits and qualities of effective leaders that some applicants just don't demonstrate?

As a leading search firm handling numerous chief executive appointments every year, we're only too familiar with the changing face of leadership. Our work in the Not for Profit sector alone has provided some interesting insight in terms of the personal qualities and characteristics that make for truly outstanding leaders.

In the course of our work there have been some noticeable trends during briefing for chief executive appointments. One of these has been obvious emphasis on softer skills and personal qualities and leadership style of the ideal candidate.

Why is this? In the past requirements were much more focused on proven senior management experience, especially in relation to internal facing, operational content. In the interests of identifying and understanding future leaders, we wanted to test this idea with leaders themselves.

We asked a number of chief executives to confirm or challenge our thinking by telling us what they think makes for a highly effective chief executive now, how the role has changed in recent years, and what that might mean for the future. This summary seeks to share the insight we gained in the course of those conversations, distil from it some key themes and also pose some questions back to you.

Our hope is that some of the insight gathered here might prompt debate and ultimately lead to change in the Sector, both strengthening leadership now while also looking at the capability needed to meet future demands. We hope that, as a leader, you recognise and can relate to what we've heard from others in similar roles and that you find the content of this paper thought provoking.

Juliet Taylor
Partner and Head of Practice

Introduction

Our core business is leadership – finding outstanding leaders and developing them for the future. Much of our business involves searching for chief executives, in addition to chairs, trustees, and directors. To do this well, we are reliant on a series of fairly well founded, and largely proven, assumptions about what most leaders are likely to have achieved in their working lives, the skills they are likely to have developed and the way in which they work with others.

As no two organisations are the same (and the Not for Profit sector is truly diverse) then no two role profiles – and no two leaders – are identical. However, in the course of our work, especially in the last few years, we have observed a number of trends common to all leadership roles in the sector which have a direct bearing on the priorities for chief executives and therefore what is required of them as leaders.

In particular we have noticed a clear shift in emphasis when it comes to some of the softer skills for leadership. This includes a move away from the more traditional set of senior management requirements, often inward facing and operationally focused, and which assumed that all chief executives needed to be an expert in every discipline within their organisation.

In the course of our conversations, for example, a number of respondents referenced an earlier trend in promoting finance directors to chief executive positions; while there are many high performing chief executives who were formerly finance directors, today's leaders emerge from a much wider, truly diverse range of backgrounds. It is possible that a shift away from a focus primarily on experience towards a broader set of skills and attributes has facilitated this and opened up opportunities for a new cohort of prospective leaders. But why is this?

First it is clear that societal trends – such as digital engagement – have had a clear and obvious bearing on the experience of many chief executives who are now much more accessible to their staff, stakeholders and service users. Second, in our work alone, the requirement to find natural relationship and alliance builders, as well as commercial acumen, has been consistent across all chief executive recruitment as organisations have explored ways of becoming financially sustainable and achieving growth.

Arguably, both of these things have given rise to a new and contemporary way of leading, more about outcomes than output, inspiring others to engage, and embodying the vision, mission and values of their organisation. The good news is that there is no longer a 'typical' charity blueprint to follow; instead the degree of overlap and interface between many organisations and public service and the private sector means that leaders are free to shape their organisation and culture to suit them and those reliant on them.

That aside, chief executives are also addressing increasingly complex business and operational leadership issues. It is widely acknowledged that, while there is so much more scope to deliver real impact, these jobs are getting tougher – in the words of one respondent "this is not a job for people who find life difficult". But doing the job well requires leaders to operate under a public spotlight while handling complicated legacy issues to do with high cost basic, outmoded services and cultures that just don't work anymore.

What are you thinking about as chief executive? To explore this we talked to more than 50 chief executives who told us about their own experience and perspective on the role and how it is changing. This report is deliberately unscientific and is not intended as an exhaustive analysis. Your conversations confirm an emerging style of leadership fit for the future and very much bring the experience of many people in the sector today to life. Our aim is to share what you told us with a wider group of leaders as well as chairs, trustees, and chief executives of the future.

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"Chief Executives in our sector are burdened with the fact they will almost always have greater ambitions than resources."

Truly effective leaders embrace disruption.

They are not distracted or fazed by it. They can measure their own success and judge the progress and performance of their organisation in the context of continual change. They are constantly balancing many moving parts, can spot opportunities in that context and have the courage and judgement needed to respond to them.

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In an age of increased scrutiny and public interest, the onus for running an organisation well cannot solely rest with one person.

Running today's organisations must be the collective responsibility of the Board and the Executive together. In recruiting chief executives, boards need to consider the changing demands of their organisation and what this means in terms of emerging skill requirements. They should be prepared to support and invest in their development and ensure the Chair/Chief Executive relationship is resilient enough to withstand change and uncertainty.

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In an era of constantly declining resources, the key to success lies in authenticity.

Staying true to the vision and mission is critical. Today's chief executives are tasked with thinking innovatively about funding sources in an increasingly competitive environment, they must find ways to ensure future sustainability and growth. Great chief executives balance these tasks with a powerful and visible commitment to their organisation's purpose. They don't deviate from it, whatever the temptation.

What does it take to be an effective chief executive in today's era?

"When you're focused on climbing to the summit, all you will see when you get there is the next summit. There's no point in looking at the summit anymore – it's not relevant – it's the terrain that matters."

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Today's chief executive is either someone who is able to identify and adapt to changing circumstances (and had the conditions in which they could do it), or – at worst – is faced with picking up the pieces in an organisation that did not move fast enough.

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Our conversation with respondents confirmed our observation that there has been a significant shift in the requirements for chief executives in the sector today, although people we talked to described them differently. The main shift appears to be away from a more traditional view of chief executives as 'super managers' with an inward or operational focus, and expertise in all of the functional areas of their organisation, who were managing in a 'steady state' mode.

However, significant economic and social change – everything from the withdrawal of reliable funding, to increased public interest and scepticism over the role of organisations, to the rise of social media, have made for a potentially toxic mix which has the potential to close organisations down. In some cases, organisations have not been quick enough to address fundamental changes in their environment, resulting in a legacy of huge deficits, low morale and an irrelevant offer – further perpetuating public concern.

How have they done it?

The most fundamental qualities are now considered to relate to the mission and purpose of the organisation, and how that is reflected in the approach, style and behaviours of a leader. This is closely connected with their approach to engagement with staff, trustees and the outside world – but also has a bearing on key decisions about sustainability, growth and expansion. This is about – in the words of respondents – nothing more than authenticity. Much of it relates to a set of 'softer' skills around communication and influencing, personal impact and style, and networking, as well as ability to set vision but go beyond this to live the values of the organisation.

Relationships are at the top of the list – with staff, the board, service users and beneficiaries and a whole raft of current and future funders and supporters. For savvy chief executives, the digital age – despite its challenges – has brought with it unprecedented opportunity.

But this is certainly not at the expense of hard-edged business skills and many of the chief executives we talked to were proud to be doing what they consider to be a difficult job. Few respondents we talked to enjoy the idea that organisations somehow operate in a vacuum and indeed many confirmed that they have borrowed ideas, disciplines and talent from other sectors. Arguably the identity of organisations – and the sector at large – has changed at a fundamental level and public perception has perhaps not caught up with this.

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Although those we talked to interpret the word 'commercial' differently, everyone described a dimension of their role which was about running an organisation in a professional and business-like way. And for many, of course, 'commercial' in its purest sense is relevant with the requirement to compete for valuable contracts – 'profit for purpose'. Whatever the income base, however, most of you said that "however great the ambition, delivery will always be dragged down by the financial reality" – so part of your job is about creative thinking and expecting very few tasks to reach a perfect state of completion in an ever-changing environment.

Given that, we were struck by the way that many chief executives have quite simply started to judge the success of their organisations in a different way, meaning that – despite almost constant disruption – their relentless focus on the mission means they can always find something for their staff to celebrate: "people sign up for charitable objectives – the key to success is motivating staff that aren't motivated by money" This does not mean that they tolerate weak performance or poor behaviour. Quite the contrary. Despite the requirement to lead through inspiring others, today's chief executive is considered but quick to move on those who do not align with the organisation's aims.

A frequent challenge highlighted is managing volunteers who may be entirely motivated by their passion for the cause through extensive periods of business and organisational change.

For all, regardless of size, the success of their organisation depends on the strength, capability and leadership of the top team: as one respondent put it: "good leaders have even better leaders underneath." The role of the contemporary chief executive is therefore also about reviewing the shape, structure and content of their organisation at large, but perhaps most significantly their senior leadership team.

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Once they have identified what they need, they think creatively about ability and potential as well as experience, but will also look for cultural fit and ability of all directors to work corporately across the organisation. Crucially, once they have built the right team, they will lead in a way that brings the team together to become more than the sum of its parts. They both trust and develop their team and give their directors the space they need to flourish.

Today's chief executive may also have a shorter horizon. This certainly doesn't undermine their commitment to the role and shouldn't be seen as a sign of lack of passion. And it doesn't mean they will invest in the role and the organisation any less than someone who may previously have given a role ten years. But the demands on these roles, combined with changes in the way leaders judge their own success, simply means that a cycle of change may be completed within three to five years.

Our observation is often that trustees – particularly in the wake of a long serving chief executive – will hold the same expectations in terms of the successor's tenure. They can be disappointed when candidates don't seem to be considering the same length of time in post as their predecessor. But there is perhaps a more fundamental message here, in that very few not for profit chief executive roles actually remain the same beyond a few years because of the pace of change. Agile chief executives know this and know their strengths. Despite their strong commitment to the cause, they may match themselves to the task in hand; while many will manage through successive waves of change and development, they know when it's time to go.

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10 character traits highlighted as the most valuable

1. Unfazed by ambiguity and disruption

2. Agile

3. Self-aware – understands their impact on others

4. Inspires through a clear vision and strategy

5. Connects others and is a natural partnership-builder

6. Searching –
   gets to the heart
   of the matter

7. Authentic –
   unwavering on
   mission and purpose

8. Resilient

9. Has humility

10. True to themselves

Experience vs potential

Despite declining resources, many of you argue that there's never been a more opportune moment for organisations to grow and innovate, for example by delivering services previously provided by statutory bodies or by increasing digital engagement. Is the time right to look afresh at hiring decisions for chief executive appointments? There remains real concern about the capacity of boards to recognise and accept the obvious shift in requirements for these very exposed positions and to adopt a different approach.

There may be greater risk in continuing to hire like for like in a sector that is so rapidly changing.

The very real responsibilities placed on trustees to protect an organisation which is finding its way in different world, perhaps makes it counter-instinctive to justify any decision that feels risky. When presented with candidates who think, behave, and act differently to their predecessors it is not difficult to understand why many boards choose to stick with the 'safe' option. In fact there may be greater risk in continuing to hire like for like in a sector that is so rapidly changing.

So how do boards equip themselves to make the right decisions about future chief executives? How do they decide the difference between a new, fresh leadership approach and a leadership approach that is simply one step too far ahead to sustain? For many respondents the answer to these questions may lie in analysis of the balance required between level of experience and potential, as reflected in the skills, character traits, and outlook considered to be increasingly important.

What does credibility look like for chief executives who offer more potential than experience? Where are the non-negotiables? At what point does experience of the Sector itself increase in importance? For any aspiring chief executive who doesn't bring deep proven experience, they must be able – as a minimum requirement – to articulate how their skills, style and attitude are wholly relevant to the organisation's mission and cause and situation. Only in the context of their commitment to the organisation's priorities can a convincing argument be made for their appointment.

But this is increasingly the case. Boards that have understood why their organisation and context now demand a very different approach have been richly rewarded by the efforts of today's chief executives, many of whom have a very different profile to their predecessors. The prevailing view is that a given degree of senior management experience (people, budget, strategy), functional knowledge (where required) and the strongest commitment to the organisation's impact and ambition is often enough to justify a break from the past. At the heart of this is credibility – with staff, with the Board, with external partners and stakeholders.

There have been some rare instances, of course, where there has been too much emphasis on personal traits and characteristics at the expense of the organisation's survival.

In a sector which has bred many inspirational and iconic leaders, the changing demands on today and tomorrow's chief executives will place ever greater pressure on post holders and boards to maintain and grow increasingly complex businesses.

"Big personalities can – and frequently – result in the demise of good organisations where the two are so intrinsically linked."

It may be worth mentioning the situations of chief executives who follow a particularly established or long-serving predecessor. In some of these cases – although by no means all – the shock caused by the introduction of a new leadership presence, even if new leadership is precisely what was needed, has led to very short tenures.

Boards should be encouraged to think carefully about what they really need in a new chief executive and their organisation's level of tolerance to new influences and ways of working. Particularly where rapid change and transformation is needed, the Board's willingness to support a new chief executive and stand by them in the face of rejection by key staff is as important as the Chief Executive's own ability to establish their credibility and take people with them.

Make sure you have the right balance in your life outside the office to ensure you are emotionally resilient.

You'll make decisions where there is no right or wrong answer. Trust your instincts.

Make time to invest in your relationship with your Board.

Don't be afraid to recognise and invest in your own development needs.
A mentor can be very useful.

As CEO you are only ever as good as the team you create.

You need two ears and one mouth to do this job.

New demands

"Too many organisations are not growing. Despite this being a time of great opportunity, too many are simply muddling through."

Three areas in particular were highlighted as recent priorities for chief executives. While these are not completely 'new' aspects of life as a chief executive, each has perhaps gained new significance.

Developing strategy

"We're here to be impactful and change lives." A common theme throughout our conversations has been growth in reach and impact as opposed to growth in size and scale. Impact measurement is not new news – indeed it's an industry on its own – and many organisations have been grappling with the systems and culture change needed to underpin it for years. Tighter funding constraints, Payment by Results, smarter and more thematic grant making, and the rise of social impact investment may each have played their part in promoting new ways of defining and measuring results.

There are, of course, a handful of organisations still driven by growth in scale – large, asset rich – whose trustees are keen to acquire smaller organisations or explore options for merger, or 'formal partnership' with others. But the era of judging growth purely on turnover is, it seems, behind us – nor is it deemed as relevant.

So what does all this mean for strategy development? In the words of one chief executive "strategy isn't something you do in a darkened room: it needs ownership" – respondents generally reported a much closer connection between service user and beneficiary feedback and the shaping of their strategic plans. Some have refocused and repositioned their organisation, developing new services while closing down others where cost is high and opportunities for impact limited. Engagement – with everyone from senior politicians to the general public – and the pursuit of financial sustainability are universally high on the list.

But perhaps all of this is part of one much bigger theme: "I was faced with three options – revive, merge or close."

Alliance-building

The ability, and willingness, to form deals and partnerships with others is now a fairly common requirement for chief executive roles. Perhaps it has been for some time, but in an era which has posed significant threats to some organisations in the sector, willingness to share with, learn from and consider joining forces with others may be make or break. But whatever the level of comfort for an organisation, success in today's world depends on visibility, and on relationships and connections.

It may not be coincidence that so many chief executives who are successful, or perceived to be successful by others – are also accomplished networkers and alliance builders.

Digital transformation
It comes as no surprise that most respondents mentioned the impact of the digital age on their organisations. How they operate and engage with their customers, beneficiaries and the wider stakeholders. The difference is stark between large and smaller organisations, with larger service delivery organisations quicker to invest in the system and cultural change required to underpin such fundamental transformation.

The impact of digital transformation on an organisation's ability to engage with supporters, funders and others is widely recognised (e.g. Crowdfunding, Ice Bucket challenge campaign) but many in this sector are still grappling with how they implement it and articulate the numerous advantages it will bring. The sector needs to gear up for a future where the ability to do anything, from the delivery of front line services to marketing and volunteer engagement, will be defined by their IT and digital capability. This will be particularly important when hiring and developing millennials.

Some leaders told us that they had moved responsibility for digital around different departments, depending on the priorities within their organisation. Most agreed that they need to secure a future where digital is the norm: "to truly understand, live and breathe digital, organisations should be nurturing an army of digital experts, across departments and disciplines. Digital technology, if harnessed appropriately, could and should deliver the next step-change in social impact". They recognised that effective use of digital can fundamentally change your relationship with beneficiaries, consumers and stakeholders.

What was striking about these conversations was the difference between those organisations who have embraced digital transformation, invested in it and whose boards had wholeheartedly backed its implementation – and those who supported digital transformation on principle, but were struggling with the more fundamental change that the concept of digital transformation alone had introduced. What is certain is that digital transformation is about much more than new IT systems and digital platforms; in some cases, it has prompted a radical rethink of organisations, what they do and how they're structured.

Diversity

While we did not specifically explore diversity in great detail during these conversations, it was assumed that diversity is an important consideration in organisational success. This isn't just about equal access to opportunity – it's also about leveraging talent, serving diverse communities more effectively, gaining new perspectives, fostering innovation and enhancing corporate reputation which, in turn, drives greater sustainability and organisational effectiveness.

Many leaders already understand that a homogeneous board or senior executive team can result in near-sightedness and group-think – for instance, staff who have worked in an organisation for a long time may be less inclined to change ineffective, legacy working practices, while new team members may be more willing to challenge the status quo. By contrast, a heterogeneous team, composed of individuals with a variety of skills, perspectives, backgrounds, and resources, yields differing voices that play an important role in accomplishing the organisation's mission and increasing understanding of customer need.

Fostering and sustaining diversity at all levels is more easily said than done and often requires confronting difficult issues. But the rewards are more than worth the effort. Diversity is now so central to increasing the effectiveness and innovation of organisations that if the Not for Profit sector is to remain relevant, resilient and grounded in the needs of increasingly diverse communities, chief executives and their boards must correspondingly be inclusive, and foster diversity and inclusion at all levels.

Millennials

"As the structures within the Not for Profit sector are changing and reacting to the external markets it's become more of a responsibility for us to grow our own talent."

Our research has found that a number of chief executives are concerned about the changing skills needed in the workforce but also the changing nature of the workforce as a whole. Some feel that there is now a responsibility to grow these new skills – whether they be CRM, digital, analytics – within the sector and not always bring the skills in from outside, with the implications this has for remuneration. The message here is clear: the sector needs to do more to develop these skills and grow its own talent from a younger age.

With future leaders coming from the millennials generation, the sector needs to ensure that its structures and working practices are agile enough to engage a workforce that will make up 50% of the working population by 2020 (source: PwC). Millennials' use of technology will set them apart: one of the defining characteristics of the millennial generation is its affinity with the digital world. This generation has grown up with broadband, smartphones, laptops and social media as the norm and expect instant access to information. This is the first generation to enter the workplace with a better grasp of technology than more senior members of staff. This amounts to complete role reversal, as young people 'upskill' senior managers, especially around digital and social media. This makes millennials feel more empowered, potentially creating higher levels of job satisfaction.

PwC's Millennials research found the unique characteristics of millennials demand a different strategic approach to the recruitment and retention of employees. Millennials are looking for more in life than "just a job" or a steady climb up the corporate ladder. They want to do something that feels worthwhile; they take into account the values of a company when considering a job, and they are motivated by much more than money.

This is something that the Sector could – and should – exploit: if you can set true career paths within organisations, then you can bring in the talent in areas of weakness – you just need to look after that talent.

Millennials are attracted to employers who offer more than merely good pay. That's not to say that pay isn't important - it is. But equally important is the opportunity for progression. The Sector can give millennials a true career path: these employees will stay with employers if they have job satisfaction and a sense of worth. This will improve staff retention rates but also make succession planning easier. Our conversations revealed overwhelmingly that chief executives feel they have a responsibility to be developing the leaders of the future within their organisations:

"It is the responsibility of the sector to be more attractive to younger people – we need to learn from millennials how to shape our organisations for the future."

Positive PR

Although our research focused on senior leadership within the sector, a resounding number of chief executives were keen to discuss whether enough was being done to attract talent into the sector early enough. Many commented on the often negative perception associated with working for a charity, when compared with – for example – an entry level role within government or professional services.

Some felt this was down to the salaries on offer. Pay is, of course, a contentious enough topic in itself, but when one considers equally low entry level salaries for roles in, for example, the retail or the creative industries, the argument doesn't really stack up. Some respondents felt that the inability to attract top talent early on was, in part, due to the lack of 'positive press' surrounding the sector – "why isn't the sector actively promoting itself as a viable career option, with a clear path to success?" Should the sector not be competing with the likes of the Big Four much earlier on, engaging with top talent at universities and presenting the opportunities available to make a real and lasting impact on the society that, ultimately, theirs and future generations will benefit from? And what role should chief executives be playing in achieving this? "We should be doing a lot more to position the sector as a viable career path."

> **Some respondents felt that the inability to attract top talent early on was, in part, due to the lack of 'positive press' surrounding the sector.**

Developing Talent

The role of a charity chief executive is multi-faceted and often requires an individual who can effectively run the 'business' while also taking an active role as an organisation's figurehead, representing a demographic or group of individuals who are less able to have their voice heard. Such a complex blend of skills will take time to develop, but is the sector doing enough to identify those with potential and work to develop them? What are we doing to ensure that the tiers below have the skills required, especially if those skills fall outside of their directorate or specialism? Should responsibility for identifying ways to develop talent fall solely to individuals?

Many chief executives who shared their view indicated that the sector as a whole tends to be risk averse. Appointing any chief executive is, arguably, the biggest task for the Board of Trustees and naturally they will feel under pressure to make the right decision. For this reason, some felt that boards therefore appointed the 'safest' option – that is, the candidate with the experience most aligned to the organisation. In many cases, this meant that they ended up overlooking candidates who were regarded as 'riskier', perhaps those operating at director level and looking to step up to chief executive, or those moving into the sector from outside. In light of negative press coverage about charity governance, pressure to make a safe decision may only increase and more could be done to offset this.

Some of you highlighted that lack of diversity on the Board, with a younger demographic often unrepresented, can also impact on the likelihood of younger professionals being appointed to leadership roles. Potential solutions to this include setting up a nominations committee outside of the core trustee team – here, organisations are able to draw on wider expertise to ensure that the abilities and potential of candidates are fully explored by an adequate cross-section of the sector and society as a whole.

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Succession Planning

It seems that chief executives do regard it as their responsibility to succession plan for the future and grow talent within their organisation. Succession planning motivates staff and can help with staff retention. Succession planning is, however, a continual process, not a frantic last minute scramble. A culture of talent development and progression needs to be at the heart of every organisation at all levels, not just at the top. Our research has found, however, that some find it easier to succession plan at middle management level, where it is easier to support individuals in reaching their goals.

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Of the chief executives we spoke to, only a handful had been internal appointments and many of those felt they were being groomed for the Chief Executive role. This gave them a great opportunity to learn the job before doing it and many had achieved the right level of exposure to the Board that would, of course, make the final decision on the appointment. Our conversations with respondents indicate that you are more likely to make an internal appointment when the organisation is on a 'change' journey. Here, the internal candidate often proves they are the strongest to lead the organisation, as a known quantity, through the uncertainty of change. These candidates already have the trust of the organisation and – crucially – the Board.

Some felt that being the internal candidate can, however, sometimes work against you, especially if assumptions have been made about your capability. In these cases, unproven candidates have to work harder to convince the Board that they offer as yet untapped talent.

"It's the responsibility of us as leaders within the sector to be growing the future leaders, not just within your own organisations but across the sector as a whole." Many of our participants were actively coaching/mentoring people from outside their organisations when we spoke, and felt it was their responsibility to encourage and support leaders from across the sector. Many had their own coaches and mentors, too, to support them: "if every chief executive within the sector saw it as their responsibility to coach and mentor at least two future leaders, this sector could be in a different space and the talent would be richer."

Secondments: "Talent locked up"

Why isn't the sector offering more secondments, either to those within the sector or to those from outside it? Organisations stand to lose talent where staff feel they have nowhere to go in terms of their own career development but the Chief Executive was unlikely to move on any time soon. Could the sector set up a scheme for secondments to other organisations and sectors, to broaden experience, and whose responsibility would it be to co-ordinate this?

A scheme like this would increase shared working, ideas and innovation – it could also bring the sector together as a whole, to lead by example in values and behaviours. Although the prospect of losing a member of the team and perhaps not getting them back could be a deterrent, if done in the right way, secondment is an enriching experience for the individual while offering others the chance to act up. If the sector wants to grow talent, secondment offers the chance to transition between organisations, and to learn and develop new skills which equip better leaders for the future.

While the benefits of secondments are usually significant, there are some risks. It is possible, for instance, that a seconded employee has such a rewarding time while away that they decide to leave their old job in favour of a new one. The sector needs to think about the impact that this could have on returning employees. They should be immediately encouraged to put their new skills and experience into practice, meaning that their old role may have to change. Are organisations agile enough to be able to implement this?

Board relationships

Given the changing demands on chief executives in the sector, what is the impact on boards? What does a new style of executive leadership mean for 'the deal' between chief executive and the Board?

"The Chief Executive is the binding agent for the Board of Trustees and the rest of the organisation." Our research has overwhelmingly shown that a key theme for successful leadership in the Not for Profit sector is ability to work with the Trustee Board. As with most organisations, relationships are at the heart of success: never before has the relationship between chief executive and chair and trustees been more important. When the relationship is at its best, board members are engaged, the management team are clear on their deliverables and there is a clear vision and direction for the organisation to follow, behind which everyone is united.

It is true that boards vary in profile; culture and remit (do not assume that the line between executive and board is always drawn in the same place). Boards also vary in their capability to adapt and respond to the external influences that will affect their organisation, with the effect that some are further forward than others.

But if the relationship between the Board and the Executive is not working – e.g. there is limited engagement, little alignment, and not much understanding of the very real pressures involved in running today's organisation – this will inevitably slow down innovation and change rather than enable it.

If the Chief Executive and the Chair do not have a shared vision it can create a culture of confusion for the Trustee Board and the Senior Management Team, against which very little can be measured, monitored and celebrated. In the current climate – with increased regulation around fundraising and heightened scrutiny boards and the role they play – there is more pressure on chairs to ensure they have the most effective board possible – and also the most effective executive team. Careful management of boards is seen as a particular priority and chief executives are urged to play their part in creating the conditions that will support a productive, supportive, open and appropriately challenging relationship.

But what is clear is that the onus for running the organisation well, amidst so much change, challenge and opportunity, cannot solely lie with the Chief Executive.

It has to start with the Board – with the appointments it makes to the Chief Executive role, with the deal it agrees with the Executive in terms of how it will work, with the attention it pays to the Executive/Board partnership.

A characteristic of a vibrant and healthy chair/chief executive relationship is, for example, an ability and openness to discuss the strengths and weaknesses of the Board as well as the management team.

This is not a one-way road, but a true partnership that evolves over time, is based on clear rules of engagement, is collaborative and is first and foremost driven by meeting the needs of service users and beneficiaries. And despite the role of the Board to oversee and scrutinise, good chairs also know when they need to make changes: problems can and do arise if the Chair is not effectively keeping the Board under review, managing it properly or moving quickly to address emerging skills gaps.

It's an age old issue which the sector is still struggling with. It should be a key consideration across all aspects of the board. It is impossible to govern an organisation which provides services to a diverse society if the board itself is restricted in attitude and perspective.

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Six key messages for Chairs

1.
Know when a refresh is due and your contribution is no longer relevant. Organisations need to be more agile and this should start with the Board.

2.
Boards change in size and shape over time. Consider whether a smaller, more focused and engaged board is an option – this may help to speed up decision making, without compromising the quality of the decision or debate.

3.
Invest in board development with regular review and skills audit. It may be hard to identify where your talent gaps are, but there is nothing worse than an underpowered board. Having the right talent on the senior team is taken as red, so why should boards be seen differently?

4.
Make sure that the Board is balanced. Trustees from other sectors will need time and support in understanding the different influences at work in the Not for Profit sector. The prevailing culture of board members may affect the way organisational performance is viewed, with some judging the success of the charity only in terms of turnover or income generation.

Being in touch with service users and beneficiaries and what their needs are is as important: "the needs of our beneficiaries are more important than the needs of the organisation."

5.
Major change continues to present challenge and opportunity in equal measure; at the same time, however, boards have come under greater scrutiny than ever before. In many cases, instead of being open to calculated risk, trustee boards have been more inclined to steer clear of the uncertainty presented by certain risks. But the time is now right for bold decisions: "we don't want our boards to become risk averse at a time when the rest of the world is becoming more transparent and agile."

6.
Boards should invest in more high-quality thinking about the impact of the environment on the skills and attributes needed for their chief executive. They are responsible for choosing the Chief Executive and the senior management team and have a duty to ensure they are fully equipped to make the best decision. Boards may benefit from guidance and training on the appointment process, to ensure they are equipped to select the best talent.

Where next?

"As a chief executive in an organisation you are nothing more than a ship in the night, you are not going to be there forever."

Building high performing organisations that deliver on their promises in any sector is challenging and requires leadership capability that goes beyond professional competence and technical skills. Managing the tensions amongst stakeholders where there are no straight lines, where expectations are huge and often changing and under a constant spotlight takes leaders who are aware of their own impact, who have personal resilience, commitment and courage to see things through while taking the people around them with them. These attributes are not innate. It has never been more important for us to find and develop leaders who can be the best in this sector and that requires a real commitment to developing the leadership capability.

The truth is that none of us knows what the sector will look like in five or 10 years' time. We can hazard a guess looking at the state of the nation - political trends, the economy, the impact of a changing environment on organisations today, and commentary about a shrinking, consolidated sector.

But is there enough thinking going on now to identify and address ongoing threats, challenges and opportunities as they come over the horizon?

Our conversations highlight concern about the lack of any concerted effort to identify tomorrow's leaders and invest in them today. Is there a role in the sector for today's leaders to share thoughts and reflections on what the future holds? What more can, and should, be done to identify our chief executives of tomorrow and equip them with the insight, knowledge and skills they will need to flourish.

In terms of your own experience, what next? For many chief executives the defining moment has changed. The moment someone realises they have made it; the moment they realise they have succeeded; the moment they realise it's time to go. For many of you, the milestones by which leaders were previously able to judge their own success, and be judged by others, have all but disappeared. But in the age of disruption, it is clear that leaders have found new ways to succeed; those who demonstrate the traits and characteristics most valuable today are changing the face of the sector and can only inspire others to follow.

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