LEADERSHIP FOR PURPOSE:

Investing in NFP Leadership & Capacity Development in Australia

August 2019
Centre for Social Impact, UNSW Sydney

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CENTRE FOR SOCIAL IMPACT

The Centre for Social Impact (CSI) is a national research and education centre dedicated to catalysing social change for a better world. CSI is built on the foundation of three of Australia's leading universities: UNSW Sydney, The University of Western Australia, and Swinburne University of Technology.

Our **research** develops and brings together knowledge to understand current social challenges and opportunities; our postgraduate and undergraduate **education** develops social impact leaders; and we aim to **catalyse change** by drawing on these foundations and translating knowledge, creating leaders, developing usable resources, and reaching across traditional divides to facilitate collaborations.

The Centre for Social Impact can be found online at www.csi.edu.au

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VERSION

A final report was submitted to the Boards of each of the foundations. This version of the report is a shorter version that includes the context, research findings and recommendations.

CONTENTS

1.0 EXECUTIVE SUMMARY

THE PROBLEM

As a society we face many complex social problems. If we are going to address these problems, we need a strong and vibrant NFP sector, including exceptional leadership, new ways of working and significant investment in the third sector's biggest asset – its people.

While corporate organisations invest heavily in leadership and other professional development supports, the research found that the NFP sector consistently underinvests in its leaders. This is a practical and cultural problem: there are limited financial resources and the sector lacks a culture of permission to invest limited resources in leadership. The challenge exists at the CEO level, but also in succession planning and upskilling the next generation of senior leaders and CEOs.

The underinvestment not only limits potential growth and learning opportunities for individuals, organisations and the sector, it also increases risk regarding burnout, single point of failure, recruitment cost and sustainability issues.

OUR BRIEF / CONTEXT

The Centre for Social Impact was commissioned in September 2018 by The Ian Potter Foundation to provide understand the leadership and professional development needs of NFP CEO's, and provide recommendations on the design and curriculum of an evidence-based NFP leadership development program. In partnership with The Ian Potter Foundation (IPF), Sidney Myer Fund (SMF), The Myer Foundation (TMF), The Vincent Fairfax Family Foundation (VFFF) and The Paul Ramsay Foundation (PRF), we have collaborated to develop this report which outlines a recommended NFP leadership and capacity development program, which has the potential to be leading-edge in Australia and internationally.

METHOD

This report provides evidence-based recommendations based on the analysis of data from several sources including:

- Leadership literature;
- 26 semi-structured interviews with NFP leaders;
- 8 semi-structured interviews with experience NFP Board Chairpersons
- A stratified analysis of 2017 Australian NFP Workforce Study (senior executive roles N~530);
- Desktop research to map and identify gaps in existing major leadership programs nationally and internationally;
- A Rapid Evidence Review on sabbaticals; and
- Consultation with the IPF, SMF, TMF, VFFF and CSI Boards.

The research was approved by UNSW's Human Research Ethics Committee

KEY FINDINGS

The research found overwhelming support for philanthropic investment in a comprehensive leadership development program that is world-class, enables a CEO and acting CEO/step-up leader to participate, and helps to shift the culture of investment in leadership within the NFP sector.

More specifically, the research found a need for:

- Investment in the NFP leadership development of CEOs;
- Investment in organisational leadership and capacity building (including succession planning);
- A world-class program that enables peer learning and sharing but is agile enough for bespoke needs to be met;
- A program that develops leadership skills at the individual, organisation and systems levels;
- Assessment and coaching to better identify and support needs;
- A tailored sabbatical to provide time, space and opportunity to lift strategic thinking, reflect, learn and rejuvenate.

2.0 INTRODUCTION

'The 21st century will be the century of the social sector organisation. The more economy, money, and information become global, the more community will matter. The leadership, competence, and management of the social sector … will thus largely determine the values, the vision, the cohesion, and the performance of the 21st century society.'

- Peter Drucker (Morrow, Bartlett & Silaghi 2007)

In Australia, we spend $510 billion annually on social purpose programs and initiatives but we are still challenged by social problems where things are not changing, not changing fast enough, or they are getting worse (PwC 2016). In addition, and closely connected to the complexity and trajectory of social issues, is the time of great flux we face. Many of the taken-for-granted areas of our lives are being questioned as we navigate the geo-political, social, environmental and economic challenges of the 21st century (Walker et al. 2017). Philosopher Zygmunt Bauman has labelled these times 'liquid' - we are moving into an era where routines, behaviours and patterns of thinking can no longer hold their shape, and long-term action is difficult (Bauman 2013).

This requires rethinking our approach to leadership. For organisations to survive this era of increased uncertainty, disruption and change, they need to innovate, adapt and develop new capabilities (Gahan et al. 2016). Increasingly leadership is being thought of as a 'shared social process' that occurs beyond individual leaders, to a culture of leadership embedded and encouraged across the organisation (Pearce & Wassenaar 2015). This represents a transformation in the way that many organisations approach leadership, capability and capacity building.

Despite knowing, inherently and through the literature, that leadership is critical- especially during times of great flux -and increasingly complex social issues, the NFP sector consistently underinvests in leadership and capacity building.

As a social purpose sector, if we are serious about social change, we have to be serious about building the capability and capacity of for-purpose leaders and future leaders in a way that results in deep change to organisational cultures and the wider social purpose ecosystem, ultimately resulting in improved social change for the individuals, families and communities we serve.

2.1 BACKGROUND

In September/October 2017, the CEO of the IPF, Mr Craig Connelly, accompanied the CEO of TMF & SMF, Mr Leonard Vary, on an extensive study tour of US philanthropic foundations. A significant learning from this tour was the success that major US foundations had investing in the development of NFP leadership programs. These successful programs address a real need for many US NFP organisations: investment in the professional development of senior NFP leaders and succession planning for the next tier of NFP leaders.

This US study tour benefited from a desktop review of current literature that clearly identified the need to support the professional development of NFP leaders. This view was supported by a 4-hour workshop conducted by IPF and TMF & SMF with 20 leading Australian NFP CEOs in April 2018.

In August 2018, VFFF began working alongside IPF, TMF & SMF, then in September 2018, the partners engaged the Centre for Social Impact, UNSW Sydney (CSI) to deliver a report which would provide recommendations on the design and curriculum of an NFP leadership course based on a

scope set by the study tour and workshop findings. The PRF joined the collaboration in October 2018. Feedback has been provided by the collective leadership across the Foundations, including their Boards.

2.2 THE METHOD

Building on the work already undertaken by the collective foundations, CSI added methods to identify and better understand NFP leadership needs, what is available in the sector, gaps and to provide recommendations regarding a program design, content and budget. The mixed-methods approach included:

- Review of leadership literature, further building on CSI's 2017 The Navigator: Your guide to leadership for social purpose (Walker et al. 2017), as well as completing a Rapid Evidence Assessment of NFP leadership literature;
- Desktop scan of leadership offerings (primarily in Australia, with US & UK examples);
- Scan and analysis of the sector's needs drawing on CSI's 2017 Australian NFP Workforce Study – the largest integrated data set of its kind on the work experiences of NFP people; For the purposes of this program, we stratified our analyses to respondents operating in senior/executive roles (e.g., CEO, COO, GM, State Manager: N~530);
- Insights from experts across the CSI university partners (CSI University of Western Australia and CSI Swinburne University of Technology) and external experts.
- 26 semi-structured interviews with NFP leaders in Australia, which were undertaken between Dec 2018 – Feb 2019 (leaders were CEOs and Chairs and were identified by the collaborating partners to cover a range of sectors and areas); and
- A Rapid Evidence Assessment of sabbaticals.

In Feb 2019 it was identified that there was further consultation needed with experienced NFP Board Chairpersons, and as a result CSI undertook interviews with 8 leaders in NFP governance.

Furthermore, throughout this process we have sought feedback from the CSI Board and CSI Sydney Advisory Council and the boards of IPF, TMF & SMF and VFFF.

This report includes research findings and recommendations for an NFP leadership and capacity development program.

3.0 SUMMARY OF RESEARCH FINDINGS

The following information provides a summary of key research findings along with implications for the development of a program.

3.1 THE NEED FOR NFP LEADERSHIP, CAPABILTY & CAPACITY DEVELOPMENT

There is overwhelming support from all of the research undertaken (detailed in Section 2.2) that the development of a tailored program that invests in NFP leadership and organisational capacity is required.

3.1.1 IMPORTANCE OF INVESTING IN HUMAN CAPITAL

There is a large and growing body of evidence demonstrating the correlation between the development of human capital and organisational performance. Indeed, the growth of investment into an organisation's most valuable asset, its people, reflects this realisation.

More than recruiting the right people, human capital literature advocates for developing and leveraging employee skills and capabilities, by ensuring the right development support mechanisms are in place and that environments are created where knowledge can be learned, shared and applied.

The investment of Australian for-profit organisations in training and development, estimated at $3,652m during the 2001-02 financial year - a 52% increase in expenditure compared to 1996 - reflects this growing movement (Australian Bureau of Statistics 2003). Furthermore, it has been estimated that corporate CEOs dedicate 30 to 50% of their time and focus on cultivating talent within their organisations (Landles-Cobb, Kramer & Smith Milway 2015).

The NFP sector is one of Australia's most important sectors socially, culturally and economically. Besides contributing fundamentally to public, social, and cultural good, the charities and NFP sector is one of the largest employers (1.3 million), engages almost 3 million volunteers and contributes approximately 8% of Australian GDP (Powell et al. 2017).

People, especially its leaders, are the sector's most important asset and levers for future change, therefore investing in the human capital of this sector is critical. The benefits of NFP leadership, capability and capacity development are well established in the literature and CSI UWA's recent Not-for-profit People Management & Analytics survey of 3,884 respondents from 2,040 NFPs across Australia reinforced the importance of effective capacity building and leadership development for the sector (Wenzel 2018).

Yet despite evidence, there is significant underinvestment in NFP capacity building and the professional development of NFP executives (Tierney 2006). Ultimately, an organisation that fails to develop its people will find it more difficult to effectively achieve its goals or as Landles-Cobb et al. (2015) highlight, "Non-profit CEOs who are unable or don't follow suit are missing a key lever for boosting their impact".

> *"Things the for-profit world would just spend money on without question because they recognise that it's very important, whereas the non-profit sector partly through self-regulation, partly through pressure from some of the donors would be less willing to spend money on those things"*

3.1.2 RESOURCE CONSTRAINTS

The resource constrained environment in which NFPs operate is well-documented and came through strongly in the interviews. The majority of NFP leaders highlighted their frustrations about the lack of resources – both time and financial – at their disposal to invest in people and capacity development. Many suggested that if budget was available, they were more likely to invest in their staff rather than themselves.

> *"I think one of the big issues for us is that we're not investing in it enough and so a lot of corporate groups would say these are things that they'll put on their list to do every year. Whereas a lot NFPs would say I'd love to do that if I could get around to it"*

In addition to cost restrictions, the majority of leaders discussed the lack of time to be more strategic, critically reflect, apply and share learnings. One interviewee described this lack of balance between strategy and management as being "in not on" the organisation, with another sharing their frustration about the lack of time NFP leaders have at their disposal: "we could work all day and all night, all year or decade, and there will still be more to do."

This is also supported by research by CSI UWA which shows that CEOs of NFP organisations often have a lack of time 'to engage in formal development programs' as the commitment is often 'incompatible with lived experience and high workloads' (Wenzel & de Clerk 2016)

> *"I think the problem is it's hard to advance the NFP sector because we just never get the time to consolidate learning…and then integrate into practice…and share it. So we're not at all raising each other up right now."*

3.1.3   CULTURE OF PERMISSION

> *"Actually having funders say, 'this is valuable and a legitimate use of philanthropic funding', is the start, it's all of it, really. Because most of the reason we underinvest in ourselves…and all this stuff, is because we are constantly bidding for money that is closely scrutinised, and generally defined by measurable activity outputs and outcomes"*

Closely related to time and resource constraints, the significant underinvestment in NFP capability and capacity building and the professional development of NFP executives was also linked to the "culture of permission" (Linnel & Wolfred 2009, p. 5). Several interviewees highlighted that underinvestment was financially driven but also related to the self -regulation of NFP leaders who

feel that their own development is "not a priority", that it "feels indulgent." A few mentioned the "pressure" and close scrutiny from donors to increase program spending and therefore limit spending on professional development.

> *"It always feels indulgent when the chief executive or the head of the organisation is investing the organisation's money into their own development…."*

3.1.5 THE UNIQUE NATURE OF NFP LEADERSHIP

A key theme that came out strongly in both the literature and the interviews was the unique nature of NFP leadership, and therefore the leadership skills and capacity needed.

Challenges relating to the inherent complexity of the sector included the numerous and complex social issues, the number and diversity of stakeholders, and state of constant disruption and high levels of "fragility" in their work, especially within short-term policy and funding environments.

Several spoke of the dual pressures of achieving corporate outcomes at the same time as social impact and how this complexity also manifests in success being both defined differently and being harder to measure. As one respondent put it, "in [a] for-profit, the levers and drivers are so simple."

> *"I think there is a real need to change the not-for-profit sector. (We) historically, have been almost cottage industries. This is a very, very competitive space now, and it's a competitive space for dollars, it's a competitive space for resources, and it's a competitive space for the consumers. So there's a very different – I think – skillset required for people who are leading not-for-profits, and where there's a need for leaders to be much more commercially-oriented, much more strategic than they have been, historically; and be able to juggle the very strong vision for supporting community, with the realisation… with the commercial realisation around how we're going to survive."*

A few relayed the issue of duplication and the need for sector rationalisation, whereas many leaders expressed frustration at the level of competition rather than collaboration.

> *"A lot of the sector tends to work…with a scarcity mindset rather than an abundance one and that can be a bit of a challenge to work with sometimes"*

Finally, the significant role that culture and values play in the sector also came out strongly. One leader highlighted the tension between "professionalism and purpose" which exists within the workplace, whereas the majority of interviewees discussed purpose in a different way. Leaders spoke of the positive impact of their role – the major theme being a sense of pride and feeling privileged to hold a leadership role in the sector. However, this passion for social justice, coupled with the significant challenges discussed above, resulted in leaders sharing how they "rarely switched off", the constant juggle of work and family life, and the negative impact on their family and personal wellbeing.

"There's no kind of pastoral care that happens in my world and it's relentless"

This was experienced as frequently by respondents in later stages of their career as those with less experience. As one put it: "it's not a job, it's a lifestyle".

This aligns to the findings of the 2017 NFP Workforce Study. The study, which was the largest integrated data set of its kind on the work experiences of NFP people, found that working in the NFP sector affects a sizeable proportion of executives' personal wellbeing. Approximately 1 out of 4 leaders reported experiencing substantial work-to-family conflict and about half of respondents reported noticeable signs of physical, cognitive and affective fatigue (see table 1).

TABLE 1: 2017 NFP WORKFORCE STUDY FINDINGS: EXECUTIVES' PERSONAL WELLBEING			
Disagree	**Neither**	**Agree**	
48%	24%	**28%**	*I have to miss family activities due to the amount of time I must spend on work responsibilities.*
52%	24%	**24%**	*I am often so emotionally drained from work that it prevents me from contributing to my family.*
29%	34%	**38%**	*I feel physically worn out at the end of the workday.*
24%	29%	**47%**	*I feel mentally worn out at the end of the workday.*
29%	33%	**38%**	*I feel emotionally worn out at the end of the workday.*

Almost 1 in 5 of the executive sample (19%; N=102 of 530) signalled high to very-high levels of psychological distress, which is substantially larger than the Australian population average of about 11.5% (measured using the validated Kessler-5 scale also used by the Australian Bureau of Statistics). Data is not available to compare distress levels of for-profit CEOs. Irrespectively, these rates are concerning.

3.2 WHAT DO NFP LEADERS NEED?

3.2.1 IDENTIFIED SKILL GAPS
Evidence gathered through interviews and analysis of stratified data of the 2017 NFP Workforce Study demonstrates that NFP leaders need to be proficient in a variety of skills, and there is significant diversity in leadership skillsets and gaps.

Although there was substantial diversity of skills gaps identified by the leaders and interviewees warned against making generalisations about the sector or leaders within it, key content requirements from the interviews could be classified into three themes: the self, organisation and the ecosystem.

Diagram 1 presents the content suggestions based on the interviews. As illustrated in the diagram below, most suggestions for content relate to leadership of people and organisations, such as managing NFP finances, growth, and change; social impact elements, such as program logic, impact measurement and systems thinking; as well as leadership skills focusing on storytelling, resilience, and reflective practice.

Figure 1: Leadership skill gaps related to the self, organisation and ecosystem

Self	**Organisation**	**Ecosystem**
• Communication skills • Critical & strategic reflection • Ethical use of power • Resilience • 360-degree feedback	• Distributed leadership • Governance • NFP finance & business models • Managing people • Mission stretch vs mission creep • Scaling & managing growth • Social impact e.g. program logic & impact measurement	• Collaboration • Environmental scanning • Marketisation of the sector • Network leadership • Systems thinking • Understanding of government & politics

The leadership skill gaps identified in the interviews correlate with the network of knowledge and skills which Australian NFP executives identified as key to excel in their role, in the 2017 NFP Workforce Study (Wenzel 2018):

1. Leading the self (e.g., Time Management, Self–regulation and Self-leadership, Positivity, Deciding and Initiating Action)
2. Leading others (e.g., Working with People, Leading and Supervising, Presenting and Communicating Information)
3. Leading the business (e.g., Governance of Organisations, Managing Finances and Accounting, Planning and Implementing Strategy, Fundraising and Enlisting Resources) to be at the core of what NFP leaders believe they need to do.
4. Leading the system (e.g., Advocacy and Public Policy, Relating and Networking, Community and Stakeholder Engagement and Outreach).

It is worth noting that when asked about whether 'hard' or 'soft' skills were required, interviewees largely responded that the dichotomy is not useful. The leaders interviewed discussed the criticality of having both technical and interpersonal skills and how they are interrelated. Further, it was noted that hard skill needs differ significantly among CEOs and that these 'plug and play' skills could be content learned through other short courses.

3.2.2 RETREATS

> *"We've sort of got this culture now that's about cramming in and time management and fitting as much work in as you possibly can fit in, not how do I create reflective time and space"*

Evidence from US leadership programs alongside interview data, demonstrated high levels of support for the program to be delivered through a series of retreats. Benefits include time out, the ability for total immersion, an opportunity to develop trusting peer relationships, the space to learn, and the space to "just stop and step away, reflect with perspective".

> *"I definitely think that retreats, bursts of things, time out to think is really important to shut out the rest of the noise, the sort of, absorbing information and time to think about it, time to contrast with others"*

Some respondents also saw the time away from the organisation as beneficial for capability building and cultural reasons, or as one put it: "*One of the things people need to learn on the course is how to be dispensable".*

Several of the US sabbatical programs convene retreats and other gatherings. In the case of the Barr Foundation retreats are intentionally designed to "include opportunities for reflection, and authentic space for relationship building" (Lanfer, Brandes & Reinelt 2013, p. 88).

3.2.3 STEP-UP LEADER SUPPORT & ORGANISATIONAL CAPABILITY & CAPACITY BUILDING

According to Landles-Cobb, Kramer & Smith Milway (2015), limited investment in succession planning has resulted in high turnover rates within NFPs, with succession planning or a lack thereof consistently highlighted as the primary organisational concern for NFP Boards and CEOs. This is consistent with the data demonstrating that only 30% of c-suite roles in the sector were filled with internal recruits in the last two years, less than half when compared to the for-profit sector (Martin 2014).

The main reasons highlighted, and strengthened by the responses from the interviews, include a lack of development opportunities (including skill expansion) and a high need for mentorship and support. The opportunity, through the LDP, to enable a step-up leader access to support and skill acquisition through this program will ensure that not only individual capability is built, but that capacity for the organisation is developed and in addition the financial and productivity implications of high turnover and poor succession planning are mitigated.

3.2.4 EXECUTIVE COACHING

Approximately half of the interviewees had previously received either formal coaching or (more commonly) informal mentoring. Few respondents have had the opportunity to receive executive coaching, however, those that did described the impact as profound. The majority of interviewees highlighted that the success of coaching or mentoring was dependent on the quality of the relationship and "lived sector experience".

> *"You get put on a bit of a pedestal and then you get, you don't get questioned the way you should be. So having someone hold up, in a very loving way, a mirror around where you may be doing things that perhaps undermine you or any of those kind of things, I think it's really important"*

The literature supports the benefits of coaching. A 2015 meta-analysis showed that coaching 'had positive effects on organisational outcomes overall, and on specific forms of outcome criteria,' including skill-based, affective, and individual-level results (Jones, Woods & Guillaume 2016, p. 249). Research documented by Grant (2016) has also found that coaching has benefits for goal attainment and mental health, and that these benefits have a positive impact on the organisation.

> *"That's been super helpful… getting different and very objective advice without it being emotionally connected to other people's experiences… I've also used it in designing and shaping my life. How do I fit my personal goals and wellbeing needs into my job and vice versa?"*

3.2.5 TAILORED SABBATICAL

A Rapid Evidence Assessment (REA) was completed to understand the benefits, risks and considerations of sabbaticals. In completing the REA, structured searches based on the identified research questions were undertaken across several databases and to ensure rigor, criteria including peer reviewed and empirical studies or meta-analyses only were applied. Data from interviews with sector leaders was also used to supplement the evidence base and inform the recommendations presented.

KEY FINDINGS FROM THE REA & CEO INTERVIEWS

- Sabbaticals have been proven to have many benefits to the individual and organisation.
- For the NFP sector, there are distinct additional benefits including improved networks.
- Interviewees spoke of the value of a refresh, of the need to pause for breath, and the time and space to consolidate learnings.
- Leaders expressed interest in a wide range of potential sabbatical activities. These included formal training, deep reflective practice, study tours, writing / publishing, secondments (both within and cross sector) and volunteering.
- Benefits flowing from support for the program: For philanthropic foundations, benefits included deeper relationships with grantees, the building of goodwill, and the experience of new insights.
- The risks identified in the extant literature are either not of statistical significance, not relevant to the sector, or can be minimised through program design.
- Two decades of findings from US foundations supporting NFP sector sabbaticals

Sabbatical leave has its genesis in the academic sector. Since first instituted by Harvard in the late 19th century, it has become a standard employment condition in many universities. As with other career processes originating from the academy such as mentoring, it has been adopted in the corporate sector, and there are increasing examples of its use in the not-for-profit sector.

Programs vary structurally, and there is a broad range of conceptual definitions. However, common to all sabbaticals is a break from work and the workplace (Kang, Kim & Lee 2010), which is usually but not always paid (Onken-Menke, Nüesch & Kröll 2018). Despite the increased and cross-sectoral take-up, there have been a limited number of empirical studies of sabbaticals. While much of the evidence base comprises anecdotal benefits (Carraher, Crocitto & Sullivan 2014; Onken-Menke, Nüesch & Kröll 2018), the evidence that does exists outlines a range of benefits and risks.

Benefits

The benefits discussed by individuals who had experienced a sabbatical were broadly consistent with the literature. Of primacy is what Lanfer, Brandes & Reinelt (2013) describe as "rejuvenation and personal renewal" – a decrease in burnout and stress, and improved wellbeing (Carraher, Crocitto & Sullivan 2014; Davidson et al. 2010; Kang, Kim & Lee 2010). The Durfee Foundation is uniquely positioned to discuss longitudinal benefits, as their sabbatical program has run for more than 20 years. They report the most lasting impact is in the work-life balance of leaders (Durfee Foundation 2017). Iravani (2011) demonstrated an increase in capacity, creativity and innovation, and several studies (for example Davidson et al. 2010; Kang, Kim & Lee 2010; Linnel & Wolfred 2009) discussed gains in knowledge and personal and professional development. Both Davidson et al. (2010) and (Kang, Kim & Lee 2010) demonstrated these results using a control group.

> "We're not remunerated at the level of other sectors. So, being able to take time out, recover and re-engage is not possible. You have to work through that burnout"

Beyond the obvious flow on benefits to organisations from these individual outcomes, several academic studies reported further organisational benefits. These range from improved productivity to improved morale, recruitment and retention, and reputation (Carraher, Crocitto & Sullivan 2014; Iravani 2011; Kang, Kim & Lee 2010). Rather than being viewed as a cost to organisations, sabbaticals are instead framed as an investment in human capital, resulting in a cost reduction and increased organisational commitment (Kang, Kim & Lee 2010), attractiveness and attachment (Onken-Menke, Nüesch & Kröll 2018).

> "Most of them (the sector) are living so day-by-day that I think they're all under investing in their strategic reflection… (my sabbatical was) one of the richest strategic thinking times I've had in my entire career. I had the space, all the day-to-day pressure was gone for a big period of time, and I could really get in-depth on the strategic issues"

The sector literature was explicit regarding organisation capacity – in essence, organisations became stronger because of the leader's absence (Lanfer, Brandes & Reinelt 2013; Linnel & Wolfred 2009; Stahl 2013). Organisations displayed stronger governance, distributed leadership, and a healthier view toward succession planning. This parallels the experience of those interview participants who have taken a sabbatical or a period of extended parental leave. All noted that the infrastructure and systems which were put in place to manage their planned absence endured following their return; they now have improved distributed leadership – delegation, a strong team, "talent under" them - and have more time and capacity for issues of strategic importance.

> *"The value of a sabbatical can be to put in place systems in an organisation to help it survive when the leader isn't around. And those systems are usually needed anyway, but just haven't been invested in because everyone's too flat out doing the doing"*

Network outcomes are the third category of benefits identified. Research from the not-for-profit sector cites the outcome of strong networks and relationships, as formed by leaders on sabbatical programs (most notably in Lanfer et al 2013). Interview data verifies the importance and effect of network formation, with a large majority of participants citing the networks developed as one of the key benefits of their previous participation in leadership programs.

Finally, the not-for-profit literature explicitly discusses benefits to philanthropic foundations that fund sabbatical programs. Stahl (2013) contends that by addressing leadership development, foundations enhance the performance of grantees and by extension, their own performance. Linnel & Wolfred (2009) demonstrate that through investment in sabbaticals, foundations experience deeper relationships with grantees, build goodwill, and experience new insights themselves.

Risks
The research reveals an interesting risk that is not a product of sabbaticals themselves, but rather a risk to whether leaders are likely to take up sabbatical opportunities – that being whether there is a "culture of permission" (Linnel & Wolfred 2009, p. 5).

The Theory of Planned Behaviour, which essentially links belief and behaviour, informed two articles (Altmann & Kröll 2018; Carraher, Crocitto & Sullivan 2014). Altmann & Kröll (2018) found supervisor (Board) attitudes to be important – affecting behavioural control and subjective norms, which increase intention to undertake a sabbatical. This is supported by the findings of Carraher, Crocitto & Sullivan (2014) on feasibility (organisational and other cultural norms) and desirability (the need for authenticity, balance and challenge). Interview data gathered to date also verifies the importance of Chair and Board attitude – one participant who had taken a 12-month sabbatical did so with encouragement from the organisation's Chairperson, who had benefitted from a sabbatical in their corporate employment. The role of foundations was seen as important to helping to create this culture of permission.

The Iravani (2011) study explicitly considered all sabbatical outcomes, both positive and negative, and therefore presents a useful summary of potential risks. The negative outcomes fall into two categories: firstly, cultural factors, which relate specifically to overseas sabbaticals – for example difficulty in adjusting to a new culture, and secondly, sabbatees not returning to their permanent employment – leading to a view the sabbatical was a "wasted" investment. This finding should be interpreted with caution - even within Iravani's research the effect sizes of the negative outcomes

were insignificant compared to their positive findings. More importantly, this study focused on academic sabbaticals; the data from the not-for-profit sector on retention is far more positive (see for example, Lanfer, Brandes & Reinelt 2013 which found that up to 7 years after the program, 75% of Barr Fellows were still employed at the same organisation, and all had remained in the sector). In fact, many respondents in the Linnel & Wolfred (2009) study said their sabbatical had influenced them to stay in their job longer than previously planned.

Linnel & Wolfred (2009) noted the potential for sabbaticals to make visible any pre-existing areas of organisational weakness (for example, structural overdependence on the leader) – this issue deserves consideration in program design and organisational capacity building.

Program Design
The REA failed to identify any articles which specifically addressed the issue of sabbatical design. However, some features were discussed, particularly when they were found to have a moderating effect on the outcomes of the sabbatical. Two studies specifically noted the importance of detachment from work - complete detachment from the workplace was the most significant moderator of positive outcomes in Davidson et al. (2010), and physical removal from the workplace (rather than an in-house reassignment) resulted in greater benefits in Carraher, Crocitto & Sullivan (2014).

Rather than point to any particular structure or form of sabbatical, the research shows that tailored sabbaticals, through offering better respite quality and greater individual control, have more positive outcomes (Davidson et al. 2010). The foundation-funded program studied by Kang, Kim & Lee (2010) was completely unstructured, and still proved to have benefits for the individual and the organisation.

The practice literature, by contrast, was more explicit about the design features deemed to contribute to success. The Barr Foundation is explicit that it does not prescribe outcomes or specified actions for its three-month sabbatical (Lanfer et al 2013) – though the three-month program does begin with a two-week overseas practicum for the cohort as a group.

Design features noted as best practice in the sector literature include: the need for adequate financial and other support for organisations in the leader's absence, strongly discouraging leaders from contacting their organisations during the sabbatical, re-entry support for the returning sabbatees, and an optimal sabbatical length of three to four months (Linnel & Wolfred 2009).

Durfee Foundation (2017) list their core design elements as: an open application process, a three-month absence with no contact with the organisation, internal staff leading during the absence with professional development support, and an ongoing peer group for alumni.

Interviewees had a wide range of ideas regarding what they would like to achieve via a sabbatical. These included formal training, deep reflective practice, study tours, writing / publishing, secondments and volunteering. Given this breadth, it would potentially undermine the benefits of a sabbatical to be too prescriptive regarding its form or content.

CREATIVE DISRUPTION

A number of foundations in the United States have provided sabbaticals for non-profit leaders for some time – in the case of the Durfee Foundation, for over 20 years. This provides valuable, sector-specific evidence and has directly informed the implications for program design presented in this report.

The report *Creative Disruption: Sabbaticals for Capacity Building and Leadership Development in the Nonprofit Sector* (Linnell & Wolfred 2009) is an independent collective study of the sabbaticals provided by four American foundations:

- The Barr Foundation,
- The Durfee Foundation,
- The Virginia G Piper Charitable Trust; and
- The Rasmuson Foundation, along with
- The Fellowship Program of Alston Bannerman

Its key findings demonstrate that sabbaticals:

- Increase organisational capacity
- Are important tools for succession planning
- Strengthen governance
- Benefit funders

"The critical contribution of the awarding foundations was to use their standing in their communities to create a culture of 'permission' for leaders and their boards to support sabbaticals. This one simple act of encouraging rest and reflection resulted in numerous valuable effects" (Linnel & Wolfred 2009, p. 5).

"It's a mix of being able to get input like in a way a Churchill does… you have a question you're answering, and you go find stuff out. But I do think, there's an unstructured component and I think that's because for me, my most important reflective spaces (are) where I go, 'Oh, hang on, I'm stuck in this and I didn't see it'"

3.2.6 PEER-BASED SUPPORT AND NETWORKS

Literature was reviewed, along with analysis of interviews, on the topic of professional networks and communities of practice. Executives act under constant pressure to perform and deliver in response to professional challenges within an ever-changing system. When such environmental

stress is present, the evidence tells us that leaders can benefit through access to peer-based support and access to networks.

> *"It really is about lifting us out of the everyday and about sending a message that regardless of what specific issue that we're working on, we have more in common than what divides us...the issues that we deal with on a day-to-day are phenomenally similar.... It's only the wicked problems that are different"*

All interview respondents described a positive impact of peer support and the value of ongoing peer/alumni networks, as this not only reduces the isolation commonly felt, but peers were used for guidance and as sounding boards. Several leaders also highlighted the need for organic network development as opposed to something that was imposed or too highly structured by the program coordinator.

> *"It needs to be sort of really carefully crafted, the creation of a carefully curated group of people with the right sorts of approaches...people will get a lot out of that"*

Highlighted by several interviewees, and related to peer-based support and networks, was the need for careful selection of the cohort, for example, one interviewee suggested that NFPs leaders should come from a similar size of organisation and another mentioned length of experience as an NFP leader.

This focus on cohort has proven successful in the US, most notably through the Barr Fellowship, which was explicitly designed as a "connectivity network" – focusing not on prescribed outcomes but on "investing in and strengthening relationships" (Lanfer, Brandes & Reinelt 2013):

> *The Barr Fellowship is an unprecedented network of people that in a lifetime most of us would never be able to pull together and become close to. We come from such diverse groups. Usually our interactions with each other are so professional and dry, and not very personal. This network transcends fields, gender, [and] race to a level that would not be doable on one's own. This level of partnership and camaraderie breaks down fears and inhibitions – it's going to save our sector.*

> *"I think there's something about deep trusting relationships that you gain, that you can gain through a long program, that are really valuable for people that then gives people people to call"*

3.2.7 ARE CURRENT LEADERSHIP PROGRAMS MEETING GAPS/ NEEDS?

It is important to examine whether existing major programs meet the needs identified by the research. A desktop review was undertaken to understand the provision of major leadership offerings currently available to NFP leaders. The research reviewed 35 Australia, US and UK programs. Each program was assessed against recommended program components, as identified by the research.

Seven core components were used including access to retreats/ immersive experiences, coaching opportunities and a step-up support program. While many programs had elements of each component, there was no single offering in Australia that offered all key components, in particular:

- Less than half of Australian programs are tailored to NFPs;

- The majority of Australian programs are of limited duration - approx. 2 to 4 days;

- No Australian programs offer step–up leader support;

- No Australian programs offer a sabbatical;

- And while international courses are available to leaders of Australian NFPs (subject to funding) the sabbatical programs available internationally, Barr and Durfee, are not available to Australian NFP leaders.

Interviewees who had the opportunity to study overseas spoke far more favourably of international courses (in particular those run through INSEAD, Stanford, and Harvard) than they did about domestic offerings.

4.0 RECOMMENDATIONS

The following section provides recommendations for the development of NFP Leadership program.

4.1 PROGRAM PURPOSE

There is the need for investment into a world-class leadership and capacity development program that begins to address some of the challenges faced by NFP leaders, NFP organisations and the broader sector.

The program has the opportunity to:
- Be one of the world-leading programs investing in human capital in the NFP sector;
- Demonstrate collaborative leadership between several leading Australian philanthropic foundations;
- Assist to lift the capacity and capability of exceptional individual leaders in the Australian NFP sector;
- Assist to build leadership capability in organisations and give organisations and boards confidence about succession planning; and
- Enhance the performance of NFPs exposed to the program, which should ultimately improve outcomes for their beneficiaries.

4.2 PROGRAM OUTLINE

To facilitate a comprehensive learning experience for all participants, and achieve the learning outcomes, the following key requirements for delivery have been identified:

- Curriculum content focusing on leadership of the self, the organisation and the system
- A series of immersive learning experiences delivered within an agile teaching framework
- A tailored sabbatical
- Executive coaching for the CEO and the step-up leader
- Development of networks and alumni
- A capacity building fund to support participating organisations

To ensure success in the delivery of the program and achievement of program outcomes, the following is recommended:
- Strong engagement and support from each participating CEO's Board of Directors
- Cohort diversity – including diversity of location (rural/regional) and sectoral focus. Diversity of leaders should include diversity of age, gender and ethnicity and ensure that Aboriginal and Torres Strait Islander leaders are included in the cohort and cultural considerations and accessibility of the course for participants with different needs (e.g. people with disability) is incorporated.
- A rigorous selection process with clearly defined eligibility criteria.

4.3 PROGRAM CONTENT

Many leadership programs are devised with a focus on the individual: a 'leader'. They typically remove a person from their organisation, expose them to various experiences, and then return them to the organisation. The assumption is that whatever took place will translate into

noticeable change for the individual, and then carry through to the organisation and beyond. Research clearly shows that this does not just happen. However, the science on training and leadership development points to a range of mechanisms and processes that aid these fundamental goals. The design of a leadership and organisational capacity building program must intentionally bring about certain experiences and processes, and thereby increase the likelihood of positive outcomes for the individual, the organisation, and beyond.

The program recommended is therefore based on the concept of building leadership cultures and building the capacity of NFP organisations, rather than simply building leaders. Contemporary leadership models such as shared/distributed/collective leadership point to the benefits of empowering all members of an organisation to lead, and to identify as leaders (O'Neill & Brinkerhoff 2018). The model of collective leadership places emphasis on the quality of the relationships between team members and within the wider system, rather than simply focusing on the individual leader's behaviour and experience. Leadership practice is moving away from an assigned leader's capacity to be all things to all people, and towards the leader's capability to promote human connection and high-performance within their team/s. We have adopted a widely accepted definition of leadership:

"[Leadership is] the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives" (Yukl 2013).

Based on evidence, the content delivered during the program should focus on self-leadership, building leadership cultures and leading within the social purpose ecosystem.

Figure 2: Core content areas for the program

SELF
Undersanding and building self-leadership and leadership cultures

ORGANISATION
Aligning self-leadership with organisational strategy

SYSTEM
Leading for social impact and navigating the complex social ecosystem

The suggested program is not a typical management course focusing on delivering technical skills training over a few days, nor is it a generic leadership course for commercial CEOs. Instead it is an evidence-based program, specifically developed to meet the needs of Australian NFP CEOs and build the capacity of their organisations.

5.0 CONCLUSION

Investing in leadership and organisational capacity building of NFPs is an investment in the future of the NFP sector. The proposed program will equip current leaders with the education, skills, networks and time to take a systems approach to changing the sector landscape. The proposed framework will also provide funding to support to the NFP sector's future leaders, deepening the capability of a CEO's direct reports and strengthening organisational capacity, resilience, depth and adaptability.

By strengthening NFP leaders and strengthening leadership within organisations, it will in turn strengthen and improve the quality of the social sector as it seeks to tackle a range of complex issues.

This research found a strong need for investment in and delivery of a world-class leadership program to build the capability of NFP leadership.

This program has the potential to lift the capacity and capability of exceptional Australian NFP leaders, enhance organisational performance and, in turn, improve outcomes for their beneficiaries and across the social purpose ecosystem.

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