

Introduction

The third sector — which we understand to be the vast array of charities, voluntary organizations, community groups, cooperatives, mutuals, and social enterprises — is undergoing radical change due to the social, political and economic environmental changes in Europe. Since 2008, the sector has been operating under the shadow of austerity, with an increased demand for services against reduced resources (Wilding, 2010). As a result, much of the sector's activity has shifted towards an emphasis on survival and resilience, along with an intensified focus on collaboration and increasingly desperate attempts to demonstrate impact and value for money (Macmillan and McLaren, 2012). At the same time, however, expectations of organizations in this sector have increased markedly. Accountability requirements have increased and organizations are expected to be more transparent in reporting what they do, how they spend their money, and what they achieve (Salamon, 2010). There have also been changes in how performance is managed across the sector and organizations have been under pressure to get a 'better grip' on measuring and understanding the differences that they make to people's lives (Hudson, 2009). There has also been a change in how governments perceive the sector with an increasing recognition that third sector organizations are best placed to address some of the intractable social problems which society faces, such as poverty. As a result, the growing diversity of the sector in terms of size, purpose, legal form, and scale of reach is transforming (Hunter, 2009).

Such changes have raised questions over whether we can actually describe the third sector as a coherent, single sector (Alcock, 2010). Moreover, there are calls to address the deeper question of what the sector is in the process of becoming and what role it should play, through and beyond the contemporary politics of austerity (Macmillan and McLaren, 2012). Consequently, questions have been asked about what to call the sector and what gets included, as well as how 'fuzzy' or permeable the boundaries might be to influences from the market and the state (Billis, 2010). In the absence of a sector-wide dialogue to address such questions, it is possible that the major 'shake up' being experienced by third sector organisations is accompanied only by a rather defensive, narrow and increasingly noisy pursuit of sectional claims and interests which merely perpetuates the issues faced by the sector (Cook, 2012).

After lack of funding, government policy and regulation, insecurity of funds, and lack of volunteers, the 'lack of leadership' has been identified as one of the top five constraints facing the third sector (Green, 2009). Indeed, leadership skills and strategic and forward planning have been found to be among the top ten skills gaps in voluntary sector organizations (Clark, 2007). Such findings have opened up major debates on the leadership of the sector. Macmillan and McLaren (2012) point out, for example, that due to the shifts in the sector, and their implications, the question of leadership has become significant and needs to be examined. Similarly, Kearns et al (2015) argue that there needs to be an exploration of what leadership means within the sector. The justification for this (argues Taylor, 2014) is that the quality of third sector leadership will shape the life chances and experience of all citizens.

In order to address this need, our purpose in this article is to explore leadership in, and of, the third sector. We do this by first providing a brief overview of the existing research on leadership in the sector, aiming to identify any common perceptions or themes. We then draw on twenty written narratives of leaders in the sector who reflect on their experience and perceptions of leadership. This is followed by a discussion of the challenges in the sector based on those narratives. We conclude by identifying the impact of our findings for leadership across the third sector. This paper seeks to contribute to the emerging literature on leadership in the third sector by exploring the leadership in practice. We do this through a practical focus on the experience of individuals in positions of leadership in the sector.

Leadership in the Third Sector

In the existing academic and practitioner literature on leadership in the third sector, there is extensive research on what those in leadership positions actually do, for example: governance (Jegers, 2009; Taylor, 2015); strategising (Never, 2010; Hopkins et al, 2014); and managing human resource (Kreutzer et al, 2009). In addition, there is research into: leadership models (Dwyer et al, 2013; Boerner and Geber, 2012; and Mahalinga Shiva and Suar, 2012); team member exchange (Willems, 2015); leadership philosophies (De Vita, 2008; Parris and Peachey, 2012; and Ebener and O'Connell, 2010); and distributed leadership (Duncan and Schoor, 2015). Howieson and Hodges (2014) suggest that a way to understand, and make sense of, these different approaches is by exploring leadership thinking and theories using three conceptual viewpoints: i) Leadership model — a leadership model contains theories or ideas on how to lead effectively and/or become a better leader (for example, transformational leadership); ii) Leadership philosophy — a leadership philosophy contains values-based ideas of how a leader should be and act and the sources of a leader's power (for example, servant leadership); and iii) Leadership style — a leadership style is a classification or description of the main ways in which real-life leaders behave (for example, autocratic leadership).

Much of the available literature is US-centric and refers to the 'Nonprofit' rather than the third sector; for example, a frequently-cited book in the literature is that of Perry (2010). In this text, there are dedicated chapters on the tasks, perspectives, and skills (conceptual, human, and technical) of leadership. Perry (2010) reviews leadership theories in the Nonprofit sector and explains, in some detail, grassroots leadership, shared, and servant leadership but makes the important point that if the unit of analysis changed from the 'individual' to 'social collectives' (groups, organizations, and communities), this would radically change leadership theory and research. In this regard, Dobbs (2004) offers an extensive critique on the problems with the traits approach to individual leadership in Nonprofit leadership and suggests that relationship building is very important (i.e. the 'social collective'). Sohmen (2004) offers 'A Model of Nonprofit Project Leadership' that is based on transformational, visionary, and servant leadership — again, theories that have their origin in US literature.

This is not to say that models and philosophies such as transformation or servant leadership — and North American theory in general — are not important or relevant; however, we argue that many of the current theories of leadership are derived from an individual level of analysis and follow the psychological approach to leadership (Schedlitzli and Edwards, 2014), which we are not sure has relevance to the third sector in Europe. For example, in the psychological perspective — which is the dominant or mainstream paradigm — the focus is “primarily on individuals and on their internal dynamics” (Collinson 2011: 183), which tends to dominate the US approach to leadership writing and research. In this (psychological) perspective, the focus is on what makes an effective leader — in this approach, followers are passive recipients or mere ‘moderators’ in the predictive, effective leadership equation. The success and nature of leadership has therefore been treated as a ‘top down’ influence process where leaders change followers’ vision and values to attain a pre-defined goal. Conversely, in the sociological perspective — notably in the writings of (for example) Fairhurst (2007) and Grint (1997) — and drawing on predominantly qualitative interpretive methods of enquiry, the aim is to explore the shifting possible constructions of leadership located within their complex conditions, processes and consequences (Collinson, 2011: 183).

Therefore, and at present, it is difficult to establish leadership theory that is actually grounded in a European context and from within the sector — including its diversity. Although we see evidence in the literature of distributed leadership (Gronn, 2000, 2002; Grint, 2005) and shared leadership (Carson et al, 2007; Bergman et al, 2012) as applied to the sector, we do consider that theory needs to be developed further from within the sector context and its culture, particularly from a sociological perspective.

Contemporary approaches to leadership, however, are changing — some writers (for example, Bligh, 2016) now question the utility and applicability of hierarchical leadership, with the all-seeing, all-knowing ‘heroic’ chief executive at the top. In an environment increasingly characterized by change, the question for this sector may be: where does leadership go next? (Jackson, 2012). In this regard, leadership — in the context of organizational improvement and change — becomes a collective rather than an individual responsibility (Hodges, 2016; Raelin, 2015). It is the interactions between the leaders and their followers that matter as opposed to what each individual does (Howieson and Hodges, 2014).

Several studies do discuss the question of whether theories of leadership from the for-profit literature would apply to third sector organizations (for example, Phipps and Burbach, 2010). Elsewhere, Taliento and Silverman (2005) identify several areas in which third sector leadership may adapt the practices of for-profit leadership including: dealing with a wider range of stakeholders who expect consensus; the need for innovative metrics to monitor performance; and the challenge of building an effective organization with limited resources and training. Such an approach, however, merely highlights the dangers of ‘cutting and pasting’ from one sector to another rather than positioning leadership within the context of the sector within which it is operating. For as Hopkins (2010: 26) says: *Good leadership is*

vital given the complex and dynamic third sector environment. While many of the qualities required of leaders in the third sector are similar to those leading in other sectors, there are distinct skills and behaviours needed to be successful in the sector as a result of its multiple stakeholder relationships and challenges that are qualitatively different from the public and private sectors.

In respect of the ‘complexity’ highlighted by Hopkins (2010), Grint (2010) suggests that conventional thinking which demands of leaders the ability to solve problems, act decisively and to ‘know what to do’ may be exactly the wrong approach to tackling what he terms ‘wicked problems’ — that is to say highly complex situations for which reflective and deliberative responses are required. But, as Grint (2010) readily acknowledges, pressure to act decisively often leads organisational chiefs to try to apply ‘tame’ (predictable, managerial) solutions to ‘wicked’ (hugely complex, unpredictable) problems. Leadership, then, may involve providing and interpreting relevant information and posing challenging questions than seeking to provide decisive answers.

More generally, the focus of much of the research that has already taken place within the context of the third sector tends to be on the typical attributes and characteristics of Chief Executives, which is very similar to the early leadership traits theories. Kirchner (2007), for example, has developed a leadership model for third sector organizations — in this model, the Chief Executive is seen as leading upwards (managing governance), downwards (harnessing resources and running an organization effectively) and outwards (representing the organization). Similarly, Paton and Brewster (2008) draw a conceptual framework for ‘what is it like being a Chief Executive’. The framework includes: system and field awareness, or the ‘helicopter view’ of seeing the bigger picture; emotional awareness; and intuition.

The exceptions to these studies of Chief Executives are those that focus on the leadership characteristics required within the sub-sectors of the third sector. Ockenden and Hutin (2008), for example, provide an analysis of more informal and less hierarchical leadership in small, volunteer-only organizations. Chambers and Edwards-Stuart (2007) identify a list of characteristics of successful leaders in the social enterprise sector, which include: integrative and speculative thinking; drive and persistence; a strong value-base; focus; and networking. A much longer list of characteristics is provided by Cormack and Stanton (2003) which includes: passion, a strategic perspective; networking and influencing; personal humility; motivating a team; resilience; self-confidence; being a visionary and inspirational communicator; and involving others in decision-making. A common theme across these studies appears to be the importance of a communicative ‘ambassadorial’ dimension in leadership, alongside references to networking, representation, articulating a vision both within and beyond the organization, and conversation. For instance, Peck et al (2009) draw attention to the significance of story-telling and narrative. This ‘communicative’ dimension of leadership in the sector was explored by Kay (1996) who conceptualised leadership as a process of creating and sustaining meanings in negotiation with, and influenced by, others. Kay (1996:131) depicts the concept of leadership as a ‘sense making’

process involving: “...a multi-dimensional process of social interaction, creating and sustaining acceptable meanings of issues, events and actions.” This process of ‘sense-making’ around shared understandings and meanings, involves: vision setting; interpretation and take-up; and influence and credibility. This approach is supported by Schwabenland (2006) in her creative discussion of story-telling and leadership in the foundation and development of organizations to achieve social change. Such studies of the sub-sectors are, however, limited in examining leadership across the context of the wider sector, which as Hartley and Fletcher (2008) argue would require a style of leadership which demands highly sophisticated political skills.

We consider, then, that the majority of studies fail to focus on the uniqueness of leadership in the third sector with particular reference to national institutions and culture. Instead, there tends to be a ‘scattergun’ approach to leadership in the sector that lacks coherence (Clare, 2007). This has led to calls for leadership within the sector to be given special attention (Macmillan and McLaren, 2012) and for it to be reconceptualised (Kirchner, 2006).

The aim of our research is to contribute to the understanding of leadership in the third sector and the particular challenges of this sector. Thus, our research questions are twofold: what does leadership mean within the third sector, and — given the radical changes happening in the environment within which the sector operates — what are the leadership challenges in and across the third sector? We have attempted to answer these questions through the examination of written narratives produced by senior people in leadership positions across the sector using a narrative inquiry.

Method

Narrative inquiry is set in human stories of experience (Clandinin and Connelly, 2000). This method was selected in order to provide a framework through which to investigate the ways that individuals in the third sector experience leadership depicted through their own reflections. It was seen as the most appropriate approach as narratives can help to make sense of, evaluate, and transform the present and shape the future so that it will be richer or better than the past (Clandinin and Connelly, 2000). This notion can be expressed as “*life as led is unseparable from a life as told . . . life is not ‘how it was’ but how it is interpreted and reinterpreted, told and retold*” (Dyson and Genishi, 1994:36).

Narratives function in opposition to elitist scholarly discourses and their use in research offers an opportunity for groups to participate in knowledge construction (Canagarajah, 1996). Moreover, narrative is well-suited to addressing the complexities and subtleties of individuals’ experience of leadership in organizations (Webster and Mertova, 2007). Of note, narratives can help us to understand experience, which is important because people’s lives matter, whereas other forms of research often look at outcomes and disregard the impact of the experience itself (Bell, 2002). In this way, we consider that narratives are powerful for exploring the experience of leadership in the third sector.

The narrative approach used in this study allowed us to set the criteria for participants to formulate their conceptualizations of leadership in their own words, to attach meaning to the construct, and to express how they value certain aspects of it (Heres and Lasthuizen, 2012). This method allowed the focus to be on an individual's experience of leadership, what they thought leadership should look like, and the subjective meaning they attached to the concept, rather than evaluating the individual's own leadership or lack of it. The participants, in the study, largely based their views of leadership on their daily experiences and realities. Their conceptions of leadership were informed by practice and situated in the context in which they were operating.

The research was conducted during 2012-14. A total of 20 participants took part in the study — 6 females and 14 males — and were drawn from organizations across the third sector in the UK from England, Scotland, Wales and Northern Ireland. As the sector is broad in context, it was outside the scope of the research to include all the different types of organizations within it, hence a sample approach was used.

The sampling approach taken can be described as 'non-probability' — the purpose of which was not to "*establish a random or representative sample but rather to identify those people who have information about the process*" (Hornby and Symon, 1994:169). Thus, the sample was constructed through key informant sampling (Tremblay, 1957). A snowball sampling technique was used so that individuals who agreed to participate recommended other potential respondents (Atkinson and Flint, 2001). One danger of 'snowballing' is the potential for cloned respondents with each person at risk of being much like the next in terms of traits, interests or patterns. To prevent this, 10 separate 'snowballing' chains were launched, each starting from a different networking source. The sample of participants (see Table 1) included leaders from third sector organizations such voluntary, community, charities, mutual and cooperatives, and social enterprises. Participants were asked to provide, in their own words, commentary on the following: their experience and perceptions of leadership; what leadership means to them; and the challenges that they face. As the sector is in a state of flux, we were most interested in the leadership 'in and out of' this flux rather than the day-to-day management of the participants' organizations.

Insert Table 1 [here]

From these personal and very individual narratives, the researchers identified the main themes. NVivo was also used to aid thematic analyses (King, 1998) and as a means of mapping evolving relationships between themes. Several iterations of thematic analysis were carried out. A key aspect of the analysis was a reflexive approach to the analytical process itself, particularly focusing on the way in which understandings emerged, were clarified, and became constructed in the process of writing this article. From this general analysis, there emerged the experience, the perceptions, their understanding of leadership, and the challenges faced by the participants.

Findings

The findings are based on the analysis of the participants' responses to the two key research questions which we set out to address: i) What does leadership mean within the third sector and; ii) What are the leadership challenges in, and across, the third sector. For the first question, two themes were identified and for the second question, six key challenges were raised by the majority of participants. We discuss key findings next.

What does leadership mean within the third sector?

With regard to this first research question, 'What does leadership mean within the third sector?', our analysis highlighted two themes about the meaning of leadership which were: 'leadership is an approach'; and 'leadership is personal qualities'.

'Leadership is an Approach'

Findings from the study show that the participants defined leadership as a specific approach. For example, one participant (N) expressed the opinion that, "*Leadership is not a qualification, but a set of values and approaches, inherent and/or trained. It creates values and communities.*"

The overall approach required by leadership was identified through the various narratives as maintaining the reputation of the organization, ensuring that ethical obligations are adhered to, motivating people, and creating a positive environment. Each of these is discussed briefly next.

Maintaining the reputation of the organization. Participants described this as leaders 'standing' by their vision and even when times are tough making sure that the reputation of the organization is not compromised. The benefits of this approach were described as:

"If you are certain that your principles are sound and that a compromise or a purely financial decision may result in a poorer service being delivered, you will emerge with your company reputation intact when others fail to survive." (Participant L).

Ensuring that ethical obligations are adhered to. This refers to leaders needing to find ways to leverage their ideas and their intellectual property into financial returns, while staying true to ethical values, in order to retain the foundations on which the sector is built. One respondent (T) reflected that:

"We need a combination of ethical, clear-sighted leaders together with new thinking on how to practically sustain the material and health benefits derived from capitalism, without the destructive effects on mental health, a sense of community and our natural environments."

Ensuring that people are motivated. For the majority of participants (n=16), leadership is about motivating people. This view was explained by one respondent (M) as:

“The best leaders are those who consciously take the time and effort to understand the motivation and behavioural drivers of those they lead and who ensure that they provide them with the opportunities, resources, and the support they need in order to enable them to do the best they can.”

Similarly, another participant (N) offered that:

“Leadership is not task-orientated, but about the understanding of what needs to be done to drive an organization or a business forward. It is about gaining buy-in from staff to a shared vision. It is about providing staff with the opportunity to grow within their own role and feel that they are able to contribute to the business. It is about gaining the respect of peers and staff and creating a vision and getting buy-in to the vision from the staff to take it forward. It is about creating a desire to succeed among all colleagues by ensuring they can see where they fit in and contribute to the wider picture.”

Leadership is about creating a positive environment. This is where staff believe in what leaders are striving to achieve, while motivating them and giving them the opportunity to grow and flourish in their own careers. As one participant (D) stressed: *“leading with courage, conviction and transparency will instil confidence and provide a positive climate for staff.”*

These comments show that leaders in the sector believe in the creation of a fairer, more caring, better educated, and healthier world. How they lead is influenced by the mission and values which pervade all aspects of the organizations in which they work.

In summary, findings from the study suggest that ‘leadership is an approach’, which is built on the reputation, ethics, people, and environment within the organization.

‘Leadership is Personal Qualities’

The importance of the personal qualities of leadership was emphasized throughout the narratives. The qualities which make a significant contribution to how leaders are perceived were summed up as: *“the consideration of values, self-awareness, and self-regulation”* (Participant D). This was supported by another participant (H) who reflected that;

“Good leaders have strong values and have thought about those values deeply. They know how their values apply in all sorts of contexts such as making decisions about money, assessing strategic business opportunities, deciding whom their organization should partner with, and dealing with challenging people problems.”

Numerous personal qualities were cited by the participants including: influencing, motivating, inspiring, being visible, listening, observing, empowering others, having

conversations with people, being authentic, resilient, empathetic, courageous, gaining respect, trust and credibility, and having a strong set of values. Respondents in the study also referred to the importance of emotional traits such as empathy and resilience — it was described as the critical mental and emotional intellect of leadership being linked to ‘mindfulness’, which was defined as clarity of mind, core ethics, and openness to new thinking, which in turn creates authenticity. Such qualities need to be developed and honed. As one participant (H) explained, “*developing and honing the personal qualities of leadership is where the difference between success and failure will always reside*”.

The findings also indicated the significance of leadership qualities which were relevant for influencing policy. This was defined in terms of leadership being about *social skills* to impact on policy decisions. It was also described as:

“how you make things happen successfully on a sustainable and repeatable basis. It needs to be delivered authentically and with skill. An essential element is to act as a sense-maker for others, gaining trust and engagement through shaping and sharing context, explaining why actions are required, and motivating through demonstrating progress against the bigger picture.” (Participant Q).

Some respondents did, however, question whether leaders in the sector had the social skills required to engage effectively with the opportunities that existed to influence policy and whether they were able to adapt and make the best use of all the policy levers available to them. A question was raised, for example, as to the ability to unite and gain support and cooperation across different parts of the sector. So the ability of leaders to use their social skills in order to unite the sector or certain parts of it, to build coalitions, and to rise above vested interests and create a common collective identity were identified as characteristics of good leadership, but also, and of note, a significant challenge facing the sector.

Findings from the research indicate that although leadership reflects the personal qualities which individuals bring to their role, these qualities need to be developed and continually improved upon across the third sector.

What are the leadership challenges in and across the third sector?

In terms of the second research question, namely ‘What are the leadership challenges in and across the third sector?’, findings indicated that leadership in the third sector faces multiple challenges. The main ones identified from the research are: recovering from recession; building collaborative relationships; remaining innovative and distinctive; building and developing capability; and reinforcing the legitimacy of the sector.

‘Recovering from Recession’

The impact of the economic recession and the ensuing years of austerity are key challenges for leaders. The financial crisis requires leadership which focuses on several

specific actions including making decisions, taking action under pressure and clarifying and communicating decisions to internal and external stakeholders, as well as the media. The danger is that this can result in short-termism. As one participant pointed out, *“the economic pressures created by recession require leaders to focus on efficiency and cost-management, and can result in short term decision-making.”* (Participant K).

The challenge of dealing with the financial crisis is not about returning to the so-called glory days; rather, as one respondent wrote, *“what is needed is fresh thinking which learns from the success and failures of the past and creates a new future”*. To do this, participants pointed out that there needs to be a vision and business values which are not compromised even when times are tough. As one participant (A) advised, *“Leaders will need to find a balance between supporting those disadvantaged by the financial depression, while investing in the infrastructure for innovation to flourish”*.

Due to rising public expectations, the third sector is faced with delivering more services to more people who have greater needs, but with less resources and without compromising on quality. This was supported with comments such as, *“the sector has to adopt a consumer-centric mindset, without the necessary skills and experience”* (Participant I).

The financial challenges are forcing the sector to consider working in partnership with other sectors. The increasing promotion of partnership working, however, appears to be presenting, what one participant defined as, a ‘conundrum’. This was described as *“the competition for a reducing pot of money [which] can lead to organizations moving beyond their area of expertise in order to diversify and secure other sources of funding”* (Participant R). The challenge for the sector is to move from a reliance on grant funding to one of a focus on contracts. This involves looking for opportunities for collaboration with other organizations across the sector, and in other sectors, to deliver savings, create additional value, and attract new funding.

‘Building Collaborative Relationships’

Participants described how organizations in the third sector are being driven to find a balance of preserving their own place in the sector while being confident enough to share knowledge and information for wider benefit. They are having to identify who they should align themselves with in collaboration and what form the collaborations should take. According to one participant (T), *“funders are now requiring third sector organizations to collaborate with each other and with organizations from other sectors to deliver savings and create additional value”*.

The challenge is, on the one hand, to look for opportunities for collaboration with other organizations across the sector and in other sectors to deliver savings, create additional value, and attract new funding; while, on the other hand, competing for contracts and commissions with the very organizations that they are required to collaborate with. One participant (M) described it as having *“to find a balance of preserving their own place in the sector while*

being confident enough to share knowledge and information for wider benefit". This is driving a need to identify what form collaborations should take. Participants question whether it should be an alliance based on shared risk and reward or a partnership using prime and sub-contractors. There is recognition that it should be possible to benefit from collaborative working as long as the time is taken to develop high levels of trust. Leaders need to identify who they should align themselves with in collaboration and what form the collaborations should take.

'Remaining Innovative and Distinctive'

Delivering and implementing innovation is a further challenge for the sector. Given that for the vast majority of the sector there are not enough resources to fund services, leaders need to find new ways of providing services. This was highlighted by one participant who pointed out that they will need to find new organizational models, which use technology and utilise volunteers more in a way that enables them to support beneficiaries. Another participant noted that there is the opportunity to create, to innovate, to develop and ultimately to make changes:

"Leaders need to think about and understand what is happening in the wider society, how it may affect them, and what they can do to shape the future. They should think beyond their immediate sphere of influence, beyond today and over the horizon."

(Participant D)

This will involve, *"changing or moulding the culture so that it is positive and creative"* (Participant S). There is, however, a note of caution as one respondent (R) was mindful that, *"dynamic, socially impactful entrepreneurship in the sector is hampered"* and to make it happen, he went on to suggest that there is a need to *"liberate innovators"* as currently there is a lack of innovative ideas evident across the sector.

The leadership of the sector appears to have simply run out of ideas about how to take the sector forward, yet in a time of constrained financial resources, innovative ideas are seen as increasingly important. For as one participant (A) said, leadership is failing to grasp:

"The opportunity to create, to innovate, to develop and ultimately to change something, be that addressing a social problem with community innovation, becoming more community orientated or coaching leaders through challenges and seeing them thrive and grow in the process."

It would appear that a key challenge is the need to drive distinctiveness and innovation across the sector, for the capacity to innovate and remain distinctive is a critical determinant of long-term survival in the third sector.

‘Building and Developing Capability’

A key challenge is that leadership remains in scarce supply despite increased demand. This issue was described by one participant (I) as, “*many people believe they possess the skills but do not know what leadership is.*” This lack of leadership is being exacerbated by the shift away from traditional technical or operational roles to more collaborative, networked leadership roles. These roles imply the need for greater political awareness, more collaborative and engaging behaviour, and exceptional influencing skills. However, in their role as leaders in the sector, individuals are often confronted with challenges that few are fully equipped for, either organisationally or individually. This dearth of leadership was summed up by one participant (Q) who commented that:

“Whilst anchoring our leadership role in an intention to serve the community and care for the whole is important, it is often not enough. Because the task at hand is to transform deeply engrained and destructive power dynamics, it is critical that we learn the skills of collaborative leadership and nurture cultures of trust wherever we are.”

Another participant (J) stressed that: “*the kind of leadership we are familiar with is not working anymore*” and emphasized that, “*the leader’s role is to create space (or social containers) for the community to articulate its concerns and set its own agenda.*” They went on to conclude that the kind of leadership that is required involves: “*openness to change and being changed ...qualities of authenticity; courage and care... and to nurture a quality of connection with self and others that can lead to genuine organizational and community renewal.*” In the words of one participant (T), the challenge is that there is a need:

“For a combination of ethical, clear-sighted leaders together with new thinking on how to practically sustain the material and health benefits derived from capitalism ... a sense of community and our natural environments. To achieve this requires a major paradigm shift, a cultural evolution, which can only be achieved by visionary leadership.”

The lack of investment in leadership skills means that there is a small pool of appropriately skilled leaders, a continued drain of talent to the public and private sector, and a restricted pipeline of future leadership across the sector.

‘Reinforcing the Legitimacy of the Sector’

Leadership in the sector faces the challenge of reinforcing the legitimacy of the sector while maintaining the belief in the special nature of ‘voluntary association.’ As a result, the sector is having to reach out to a discerning public that understands where value resides and what is ‘worth backing.’ Yet as the social consequences of government policy become more apparent, the space in which the sector operates will become more contested. Politicians and commentators have already started questioning the legitimacy of charities campaigning on social issues, especially if they are in receipt of government funding. This questioning of the legitimacy of the sector will intensify, and its voice will come under greater scrutiny. The

sector's role is being held up to scrutiny by the wider community and particularly by the people that it serves. This was summed up by one participant (F) who wrote that:

“As government policy impacts on people's lives, the sector will be expected to stand up for the less well-off. It will lose credibility if found wanting. The leadership challenge will be to stay relevant whilst not overstepping the legitimacy question raised by politicians.”

The challenge is in maintaining the core purpose of the sector which was described as follows by a participant (O):

“The idea of scaling up successful models has a certain allure to a social entrepreneur but we need to ensure that the drive for size does not replace a drive for quality, authenticity and social impact. Equally, in an era when local authorities look to become commissioners of service rather than providers of services, the voluntary sector should approach large contracts with a degree of caution especially where public sector partnerships risk compromising the independence of the community or voluntary sector organisation by overbearing governance or local authority intrusion.”

Leadership across the sector, in order to retain legitimacy, has to reinforce what the purpose of the sector is, why it is needed and what its special contribution.

In summary, evidence from the study suggests that leadership in the third sector is operating in a sector that is sensitive to social, economic, and political change and is in a state of flux as its workforce and services respond to the drivers for change. Such challenges are placing significant pressure on leadership across the sector.

Discussion

The findings in this study indicate several significant areas of discussion.

First, the research results point to an underlying sense that leadership in the third sector is at a crossroads. Evidence from the research suggests that leaders appear to be confronted with challenges which they are not yet fully equipped for, either organizationally or individually. Participant (S) points out the dilemma that this is creating: *“businesses putting on the sheep's clothing of the third sector and the third sector putting on the wolf's clothing of the private sector, while the public sector seems undecided about what to wear and is trying on both.”* This recognition of the value of leaders moving between different sectors supports what Buckingham et al (2014) calls boundary crossing — bringing the experience of working in the private and/or public sector to the third sector. This ‘blurring of sector boundaries’ requires leaders to be more externally focused and aware of what is happening in the external environment and to adopt a more collaborative way of working across sectors.

Findings also indicate that leadership across the sector has to prove its effectiveness. According to George (2010), the ultimate measure of effectiveness for leadership is the

ability to sustain superior results over an extended period of time. Leadership is, however, a more widely pervasive phenomenon than this. Some researchers believe that the role of leadership is best seen not in terms of its economic impact, but in how it shapes the organizational context, such as goals, members, incentives, and culture (Oldham and Hackman, 2010). As is evident from this study, the scope and importance of leadership in the third sector needs to be addressed, not only in terms of its impact on performance effectiveness but, and more importantly, in terms of its influence on the life of an organization, which Nohria and Khurana (2010) refer to as meaning, morality and culture.

Second, leadership theories and frameworks cannot be imported from the corporate world and imposed on third sector organizations. It will require subtle and critical adjustments to be made in order to reflect the different ethos and culture of this most sophisticated sector. Leadership theories and frameworks, which abound in private and public organizations, may bring great benefits; however, they may be of limited value unless they are tailored to address the different context of third sector organizations.

Third, it is clear from the narratives that the third sector's challenges will not be met by identifying a few innate leadership attributes nor by recruiting and developing more people into leadership roles. It is not more leaders that are needed but instead it is leadership at all levels that is needed. As Leslie and Canwell (2011) point out, leadership is tied to multiple actors across an organization or system and is, therefore, not about a single man or woman in a senior position. It is about people working and collaborating across an organization being involved in leadership activities for which core capabilities are required. Such capabilities, as is evident from the findings of the current study, include acting ethically and collaborating not only across the third sector but also across the public and private sectors. For in all sectors, organizational boundaries are beginning to blur, because of partnerships, collaborative working and commissioning.

Fourth, one specific area which the findings from the study evidence is the lack of innovation in the sector. These findings support research by Osborne, Chew and McLaughlin (2008) which found that innovation in the sector has reduced dramatically. On the basis of a mixed-method comparison of third sector organizations in 1994 and 2006, they found that innovative capacity is not a constant or inherent organizational characteristic, but varies according to the cues and incentives of the public policy context. This is similar to the findings of Mulgan (2007) who concluded that most of the literature on social innovation in the third sector points to a sector that is better at believing they are innovative than actually being innovative. Leadership in the third sector, therefore, needs to provide the mechanisms to encourage, to support, and to sustain innovation. Leadership can have a strong influence on innovation in the sector and can influence new ideas and concepts for service delivery which are critical to the improvement of organizational performance in the sector. The ability to 'innovate' is, therefore, one of the key capabilities which the third sector leadership needs to develop.

Fifth, due to the challenges within which leadership operates in the third sector, there is a need to ensure that leadership is enacted in an ethical way. As Trevino and Brown (2004:77) say: *“The environment has become quite complex and is rapidly changing, providing all sorts of ethical challenges, and opportunities to express greed”*. In order to address such challenges, leaders in the third sector need to understand the ethical boundaries within which they are called to operate. It is, therefore, important that leaders in the third sector focus on how they behave and how they treat others. They should ensure that they use their positional power in an ethical manner, act in a timely manner to new situations and challenges, engage in active stakeholder dialogue, implement solutions, and take responsibility to improve their reputational conduct (Patzner and Voegtlin, 2013). This involves identifying and collaborating with an increasing set of external stakeholders across the public and private sector. So, not only is the leadership in the sector being driven to be more ethical, there is also a growing need for this to be done in a collaborative manner.

Six, while some participants suggested that the third sector had got better at ‘*growing our own*’ leaders, others felt that the sector was still not producing enough of its own leaders and that those moving in from the outside lacked ‘*grounding*’ in the sector. To address these challenges, participants were vocal on the need to develop a framework of leadership specifically for the sector. The pressing need for such a framework is summed up by one participant (T) who wrote: *“tinkering with old models must cease, redesigning is not only the way ahead, it is critical.”*

Limitations and Directions for Future Research

In this study, an attempt was made to identify what leadership means within the third sector and, given the changes happening in the environment within which the sector operates, what are the leadership challenges in and across this sector. We do accept that the contribution is limited by the context; that is, the data is from the third sector in the UK. However, the views expressed by the narratives provide a deeper insight into leadership in the third sector than has previously existed. The narratives are valuable for a number of reasons including: they help to extend the knowledge and perspectives of leadership in a way that acknowledges the uniqueness of the sector; they are a starting point to understand better the challenges faced by leaders in the sector; and they serve as an illustration of the benefit of approaching leadership through the eyes of those practicing leadership.

We consider, therefore, that this study opens the way for more specific research across the sector of both a quantitative and qualitative nature, deductive and inductive. Future research should focus on providing further empirical evidence on leadership in and across the third sector; for example, studies using longitudinal and multivariate methods are needed to provide a richer and more in-depth exploration of the role and style of leadership needed in third sector organizations in different countries.

Moreover, since the third sector as a whole is undergoing a significant transformation in its shape, its role and its relationship with the state, the patterns and processes involved in

these developments need to be charted. It will be through understanding of this transformation that the question of leadership both in and of the third sector becomes significant. Research is, therefore, required which addresses the relative paucity of reflection about leadership of the diverse sub-sectors in responding and coping with the change that they face. Such research will help to address what should be the content of the third sector leadership narrative.

Finally, based on the findings, it is evident that a leadership framework is required for the sector; therefore, we suggest that research should investigate what such a framework should be within the changing context of the sector.

Conclusion

In summary, this article provides an overview of the shape of leadership in the third sector, and the challenges it faces. Leadership is operating in a sector that is sensitive to social, economic, and political change and is still in a state of flux as its workforce and services respond to the drivers for change. This is placing significant pressure on traditional approaches to leadership which have to navigate the external environment, while attending to internal organizational issues including ensuring a consistent pipeline of funding, retaining independence, and the core mission of the sector.

Organizations within the sector need to develop their leadership to enable them to deal with the challenges that they face in addition to responding to opportunities. Yet spending on leadership development in the third sector still lags significantly behind that in other sectors (Hudson, 2009). Without investment in leadership development, there will continue to be too few appropriately skilled leaders, a continued drain of talent to the public and private sector, and a restricted pipeline of future leaders (Venter and Sung, 2009). The key questions which need to be addressed are: how does the sector develop future leadership; how does it utilise individuals who have gained skills in other sectors; and how does the sector demonstrate the many ways those skills that make good leadership can be developed?

To address these questions, organizations in the third sector need both financial and human capital. But whereas financial shortfalls are easily measured, communicated and impossible to avoid, leadership shortfalls can be hard to calibrate, awkward to discuss, and tempting to avoid. This is what makes the emerging leadership deficit so critical and raises a number of imperatives. The first imperative is to acknowledge and understand the enormity of the challenge. The second imperative is to make it a top priority, in governance, in planning, and in day-to-day decision-making. If this is ignored, it has the potential to exacerbate the depth and breadth of the challenges being faced.

Closing the gap will require action, as well as a willingness to innovate, to experiment and to take risks at both an organizational and sector level. In individual organizations, board members and senior managers must commit to build strong leadership teams. At a sector-wide level, there is a need to collaborate to nurture the flow and development of a cadre of

leadership talent. In this context, two imperatives are salient: development of leadership capability; and investment in attracting and retaining talent. To address the leadership challenges, much greater attention needs to be paid to building leadership capability and that will require a shift in investment.

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