

What do Nonprofits Need to Make Leadership Development a Priority?

A nonprofit organization's resiliency and capacity to navigate change successfully depends largely on its people. Ask any grantmaker about the distinguishing characteristics of strong and effective nonprofit organizations, and the conversation inevitably will turn to leadership. But too often nonprofits lack sufficient time and resources to make their talent and leadership needs a high priority, which ultimately hinders impact. This piece introduces the importance of leadership in the nonprofit sector and common barriers that grantees face in addressing the leadership imperative. It offers suggestions for grantmakers who want to make leadership development investments as a means of strengthening nonprofit performance.

Why should we care about leadership development?

The talent within and around a nonprofit organization is the engine that drives it forward to achieve better and more results for the communities and causes it serves. For many grantmakers the link between strong executive leadership and organizational performance is frequently discussed and widely accepted. Nonprofits in the U.S. employ approximately 10 percent of all workers across the nation.¹ Despite the size of the sector's workforce, studies indicate that nonprofits devote less attention to talent and human capital management relative to their for-profit peers. This lack of attention to talent and leadership issues among nonprofits results from a number of factors.

For more on this topic, see: [*Investing in Leadership, Volume 1: A Grantmakers Framework for Understanding Nonprofit Leadership Development*](#) (Washington, D.C.: GEO, 2005), [*Investing in Leadership, Volume 2: Inspirations and Ideas from Philanthropy's Latest Frontier*](#) (Washington, D.C.: GEO, 2006) and [*Supporting Next-Generation Leadership*](#) (Washington, D.C.: GEO, 2008).

¹ Stephanie L. Geller, Lester M. Salamon and S. Wojciech Sokolowski, "Holding the Fort: Nonprofit Employment During a Decade of Turmoil," Johns Hopkins Center for Civil Society Studies, 2012, 2.

Particularly significant are the insufficient resources devoted to organizational infrastructure — the people, technology and systems needed to fuel an organization’s sustainability and success. For grantmakers that are truly concerned about the capacity of nonprofits to do the work they set out to do, we ought to be providing more funding and capacity-building support to help grantees make leadership development an internal priority.

Grantmakers who care about the work of nonprofits need to consider investing in the sector’s most precious asset, its people, as a means of producing beneficial outcomes for organizations and communities served. The changes facing the sector, described below, are too great to be met without strong, consistent leadership.

“It would be irresponsible to try and grow a business without investing in its people. Why should we expect nonprofits to be any different?” – Gerald Chertavian, founder and CEO, Year Up

A challenging role. The nonprofit sector seeks to address some of the most pressing issues in society. Providing high quality, impactful services or programs is only one challenge leaders face. In addition, an executive director often must play many roles, such as leader, visionary, manager, fundraiser, spokesperson, human resource professional, chief learning officer and more. Survival in the sector also requires building external support and piecing together sustained funding from a wide range of sources. The challenges of leadership inherent in most nonprofit organizations require a remarkable degree of skill, knowledge, wisdom and talent. The [Daring to Lead 2011](#) study further explains the demands on those in nonprofit executive roles.

Changing context, greater demands. As the sector has grown larger, more professional and more visible, the demands upon leadership have increased. Nonprofits are struggling to meet increased demand for their services due to the economy’s effect on their communities, and leaders face recession-related anxiety and burnout.

- **Difficult economic times:** When the economy suffers, many nonprofits also face an increase in demand for their services, especially organizations providing essential services such as food, shelter or health care. According to Nonprofit Finance Fund’s 2014 *State of the Sector*, more than half of (61 percent) of nonprofit respondents were not able to meet demand for their programs and services in 2013, and they anticipate this to continue in 2014.²

²[“State of the Nonprofit Sector: 2014 Survey,”](#) Nonprofit Finance Fund, 2014.

- **Greater competition:** The sector continues to expand, whether measured by the number of employees or the number of organizations. For an executive director, this means more competition for limited public dollars, skilled staff, dedicated board members and the general public's time and attention.
- **Accountability concerns:** For a nonprofit leader, meeting externally imposed standards of accountability not only adds administrative challenges but can increase anxiety.

Leadership transitions. Recent studies have confirmed that nonprofits will continue to face a high level of leadership transitions in the years ahead because of workforce and demographic shifts described below. Researchers also have shown that younger, emerging nonprofit leaders in many cases lack the readiness and the willingness to fill in the gap.

Increasing diversity. Immigration and greater workplace diversity will provide new sources of leadership talent. However, managing in a more diverse and multicultural society will also require leaders to be more aware of cultural differences and to be particularly skilled in drawing people of different backgrounds, perspectives, nationalities and languages together toward common goals.

How can we help grantees focus on leadership?

These macro-level shifts and leadership challenges inherent in most nonprofits are significant. Grantees need help — more than just a grant check — addressing them. They need time, a listening partner and safe space for reflection to air their concerns, reduce stress and consider solutions. However, finding the time to do this and make leadership a high priority requires nonprofits to have breathing room that only comes from having flexible, sustainable resources for their organizations.

Start the conversation.

One of the most important things we as grantmakers can do is simply to start a conversation with grantees about their current and future leadership needs. By maintaining an open and transparent relationship with grantees, we will develop a stronger sense of key leadership and staffing challenges where our investments can help. We should engage in substantive and regular conversations with all grantees about the ways in which they proactively focus on talent issues. This may entail taking simple steps, such as explicitly addressing talent management issues in requests for proposals, reporting guidelines and other materials for applicants and grantees. This can help establish that leadership and talent issues are a priority for the grantmaker,

while providing clues and insights about what kind of support organizations may need. Use these questions to help start a dialogue:

- What do our grantees need? What are the leadership challenges they face? Who are their current leaders? Are younger leaders available for the future?
- How is our foundation already supporting nonprofit leadership? How is it connected to our overarching strategies and goals? Do we have the capacity to step up our investment? How will we measure success?
- Who else is supporting leadership development? Are these programs and resources making a difference?

Tackle the money issue

The highest leverage move for grantmakers seeking to prioritize leadership is to face the money issue head-on. We can help grantees focus on leadership and establish flexible and responsive talent management systems and processes by providing unrestricted or general operating support, creating line items in grants that reserve a set amount (or percentage) specifically for this work or providing grantees with resources they can use to beef up salaries and professional development. This, in turn, helps nonprofit staff develop the skills they need to do their current and future jobs effectively and advance to leadership roles in their organizations and the sector. Whether it is perception or reality, studies show that aspiring nonprofit leaders see salaries in the sector and insufficient life-long earning potential, coupled with long compromised work-life balance, as barriers to executive leadership.³

“If foundations are serious about leadership development and supporting their nonprofits, start with giving leaders what they say they most need: multiyear, unrestricted general operating support.”
— John Esterle, executive director, The Whitman Institute

³ Marla Cornelius, Patrick Corvington, and Albert Ruesga, “Ready to Lead 2008: Next Generation Leaders Speak Out,” CompassPoint Nonprofit Services and the Meyer Foundation, 2008.

Why is general operating support so important?

With added flexible funding from grantmakers, nonprofits can:

- develop succession plans that allow baby boomers to transition out of leadership positions with confidence that younger leaders are prepared to take their place;
- beef up salaries and benefits to attract the best — present and future — leaders;
- offer enhanced professional development opportunities for staff at all levels of the organization;
- strengthen the HR function so HR personnel are smarter about recruitment and retention;
- devote the necessary time and resources to conducting a thoughtful assessment of key leadership issues facing their organizations, and what they may need to change;
- create attractive work environments with decent technology, sufficient staffing, and so on; and
- reduce the ever-intense fundraising pressures on nonprofit leaders, making top nonprofit jobs more appealing.

Boost HR capacity

Most nonprofits don't even have an official HR person — someone with the training required to develop effective recruitment and professional development strategies. Given the small size of many nonprofit teams, having a full-time human resources person is not always an option. However, we can provide funding for nonprofits to outsource this function or to ensure that staff members with other responsibilities receive training in key HR strategies and tools.

Invest in collective leadership

When nonprofits and grantmakers think about leadership and talent development, we often think first about supporting CEOs. While the skills and the leadership ability of the CEO are crucial to an organization's success, it is equally important to pay attention to the people beyond the founder or CEO and top leadership team — the board and staff members at different levels whose expertise and skills drive the organization's impact over time. As described in [Investing in Leadership, Volume 2](#), collective leadership reflects a belief that “leadership is the product of groups rather than individuals” and that it “can come from many places in an organization or a community.”

Help build a leadership pipeline

Philanthropy also has a role to play in helping our grantees identify and develop future nonprofit sectors. The *Daring to Lead 2011* study found that 67 percent of executive directors anticipate leaving their jobs within five years.⁴ We could provide funding — either through general operating support or capacity-building grants — to enable nonprofits to pay more attention to issues such as succession and transition planning. Investing in successful approaches to recruitment, development and retention of diverse, next-generation talent is one strategy.

Conclusion

Understanding that strong leadership is crucial to the effectiveness and sustainability of nonprofit organizations, we can adopt grantmaking practices that can help make our grantee organizations stronger, more impactful and more appealing places to work and lead careers. The leadership challenges inherent in most nonprofits require tremendous attention and resources. Leaders must rise to these challenges while maintaining, if not improving, program quality. As we begin to consider how to structure our investments in nonprofit leadership, there are no set answers, no one-size-fits-all approach. What is, however, essential is for grantmakers to start the conversation, be a listening partner with grantees and consider increased general operating support and capacity-building funding dedicated to leadership development.

⁴ Jeanne Bell, Marla Cornelius, Rick Moyers, “Daring to Lead 2011: A National Study of Nonprofit Executive Leadership,” CompassPoint Nonprofit Services and the Meyer Foundation, 2011.