



Nonprofit Leadership Development:

A model for identifying and growing
leaders within the nonprofit sector



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Summary

The existing research that informed our study and the questions we used to frame our research are summarized in the following graphic. Our findings are summarized on the next page.

Existing Research



Throughout this report we indicate key questions and findings with this symbol

Nonprofit Sector is a significant industry and economic force.

1.8 million nonprofits in US with assets of 3 trillion

Ready to Lead: Next generation is unsure about wanting the top leadership roles

The Nonprofit Leadership Deficit: Retiring baby boomers will mean an acute shortage of leaders

Daring to Lead: 3 out of 4 leaders plan to leave their jobs due to inadequate compensation, board related issues, and the pressures of fundraising

Ready to Lead: There is a potential pipeline of leaders who with the right development, mentoring and compensation could be ready.

Study Questions

Are there common leadership competencies for nonprofit leaders?

What developmental activities have been described as most effective for participating leaders in developing their competencies?

What are the implications for Grantmakers, Boards of Directors, and for people interested in careers as nonprofit leaders?

Is there a model that the nonprofit sector can use to identify and grow its own leaders?



Our Findings:

Based on our study of 36 leaders of human service entities, we believe there is a practical model to develop leaders from within their nonprofit organization.

A Model for Nonprofit Leadership Development:

1. Identify the challenges and strategies that will impact the organization over the next five years.

Biggest current challenges faced by participants in study:

- Funding and Development
- Managing Growth and Change
- Staffing and Human Resources issues.

2. Create the model of a core set of leadership competencies and behavioral characteristics that will be needed to overcome the challenges and execute the strategies.

Our study suggests the following competency model for nonprofit leaders:

- Client Focused
- Decision Quality
- Delegation Skills
- Ethics, Integrity & Trust
- Interpersonal Skills
- Managing Vision & Mission
- Motivating Others
- Presentation Skills
- Priority Setting
- Strategic Agility

3. Identify a possible pool of “high potential” successors for the job in question.
4. Use the competency model to assess the leadership potential of each person in the high potential pool. Assessments typically take the form of “360° performance feedback”, personality and skills tests, and “in-basket” and/or case exercises.

5. Using the results of these assessments, identify who is “ready now,” “ready in 2-4 years,” or in some cases identify those who will be better as individual contributors rather than leaders of others.

6. Create a tailored development program for each individual to improve their abilities and close the gaps in their competencies. Ensure that measures of success are embedded in the program.

We identified four broad categories of common and effective leadership development experiences:

- Personal or life experiences (upbringing, faith, natural talents, early family life, etc.)
- Change in scope or role, including unexpected changes
- Overcoming hardships or adversity, including turning around something that is failing
- Significant other people (mentors, bad/good bosses, coaches, peers, etc.)

7. Measure progress frequently and provide useful feedback to the individual.

Performance Feedback Opportunity:

Experts agree that receiving feedback is one of the most effective ways to improve competencies. In our study we asked participants to describe their annual performance review process and then rate its effectiveness on a scale of 1-5 with 5 being very effective. The average rating of performance evaluation effectiveness was 3.25.

8. Use this pool of talent to fill positions when they become available.

Demand and Supply in Nonprofit Leadership

Leadership can make the difference between an adequate, a good or a great organization. Research tells us that great leaders outperform average ones in many ways, including higher productivity, lower employee turnover, better client services, and greater employee morale and motivation. Given the potential leadership drain of 30% or more in the next five years as baby boomers retire, the challenge is that leaders will become increasingly hard to find regardless of the field or industry. The nonprofit sector does not escape this reality and, in fact, faces some profound and unique challenges finding able leaders.

- **The dawning of an industry.** The sector has moved from a perceived collection of “do-gooder” organizations to a significant industry and economic force. Estimates suggest that there are 1.8 million nonprofit organizations nationwide with combined assets near \$3 trillion and expending about \$1.3 trillion annually¹. With such growth has come increased regulatory and public demand for accountability, transparency and articulation of “Return on Investment.”
- **Historical undercapitalization by nonprofit organizations in professional development.** Most nonprofits have not budgeted adequately or intentionally for professional development of their staff or laid out individual potential career paths. This is challenging in small organizations, but not insurmountable with creative partnerships with other organizations.
- **Managing to the economy.** To organizations like shelters, food banks and counseling services that are focused on serving those in need, the demand for services, and able leadership, continues to escalate with the faltering economy. Unfortunately the revenue does not follow.
- **Formal leadership career development.** Until the last 20-25 years, post-secondary institutions didn't have an organized educational path for a career in the nonprofit sector as they do in the for-profit sector. Nonprofit degrees that are offered typically focus on technical and managerial skills and less on leadership development.

The role of the nonprofit leader today and in the foreseeable future will be one of mastering fluidity, complexity and turmoil. The learning curve is steep and the organizational stakes are high. To be successful, individuals will need to develop both technical skills and leadership competencies. Organizations must become more intentional in growing leaders to ensure they have the talent within the organization to manage. They will need to do this by explicitly placing value on and investing in the professional development process.

The role of the nonprofit leader today and in the foreseeable future will be one of mastering fluidity, complexity and turmoil.

The dwindling supply of nonprofit leaders has become well publicized through such studies as *The Nonprofit Sector's Leadership Deficit*² which describes the leadership deficit as becoming an acute problem due to retirement, and the *Daring to Lead*³ report which predicts that 3 out of 4 Executive Directors plan to leave their jobs due to inadequate compensation, board related issues, and the pressures of fundraising. The follow-up study *Ready to Lead*⁴ tells us that the next generation is unsure about whether they want the top leadership roles. The *Ready to Lead*⁵ study also reminds us that nonprofits don't typically grow their own leaders, with less than one-third of new leaders coming from within the organization ("hunting" for talent externally). In the for-profit sector, as many as 60% of leaders are promoted from within ("farming" for talent). Our study proposes that the sector can take more of a "farming" approach and suggests a method for identifying and growing great nonprofit leaders.

While the problems identified by these studies seem daunting, we do know that with some concentrated attention and investment we can overcome the leadership deficit. *Ready to Lead* indicates that there is a good potential pipeline of next generation leaders who, with the right development, mentoring, and compensation, may be ready to take on the demanding job of leading a nonprofit organization. At the same time, more and more grantmakers are recognizing the need to invest in leadership development and succession planning as evidenced in the report: *Investing in Leadership: Inspiration and Ideas from Philanthropy's Latest Frontier*⁶, published by Grantmakers for Effective Organizations in 2006.

Current leadership development efforts are far ranging (including, among other activities, coaching, mentoring, university-based programs, peer groups, web based programs and boot camps). What we don't know is whether they are effective. And little has been written about differentiating between the needed technical or hard *skills* (i.e., fundraising, financial skills) and the leadership *competencies* (i.e., motivation, persuasion, strategic thinking) for effective leadership.

To clarify, a competency is defined as a measurable characteristic of a person that is related to success at work; it may be a behavior, an attribute or an attitude.⁷ While we acknowledge the need for both, it is the leadership competencies, as opposed to the skills, which are the focus of this study.



Methodologies for Identifying and Growing Leaders

For many years, corporations have invested significant resources to create methods for identifying and developing leaders from within their ranks.






The currently accepted leadership development model is roughly described as follows. The initial and critical task of defining the appropriate set of competencies and skills for a specific leadership position is completed. Next, potential leaders or successors are assessed against this skill and competency model. The results of the assessment are used to identify those employees who are either “ready now” to take on a leadership role or who will be ready in 2-4 years with appropriate development. Best practices in leadership development suggest creating a development plan tailored to the individuals needs and learning style. Additionally, strong emphasis is placed on giving the developing leader frequent and critical feedback on their progress.

The corporate world develops leaders with established tactics. They include in-place assignments and projects that do not require the employee to change jobs; as well as shifting a promising manager to a new position or new responsibility to broaden experience. Executive coaches and mentors are widely used. In many corporations, professionals with high potential receive a wise recommendation for building their leadership skills: Join the board of a nonprofit organization.

We suggest that this leadership development methodology can be adapted for use in nonprofit organizations and that the results of this study will provide a solid starting point for identifying and developing nonprofit leaders.

Critical Success Factors

The leadership development process described on the previous page can work when implemented properly but includes challenges that many for-profit organizations are still trying to overcome. These challenges, which will also apply to the nonprofit sector, include:

-  **Results take time.** Building talent from within, rather than buying that same talent from outside the organization, takes more time. Keeping focused on development while at the same time fighting competition, raising money, and meeting payroll is hard work.
-  **Absence of the right assessment model.** Not having the right, or a realistic, competency model to assess people against can lead you down the wrong path. Too many competencies included in the model means that it will be hard to find or develop someone with all of these strengths. The wrong competencies, chosen either in haste or by consulting with the wrong people, will lead to failure when the newly developed leader assumes is hired or promoted.
-  **Hoarding talent.** Protecting talent is common to many organizations as evidenced by the following thought process: “Mary is a great employee. But if I identify Mary as a “high potential,” someone will try to steal her from me. And if I invest in her development she’ll just end up getting promoted to another department or even recruited elsewhere. I’ll lose again.”
-  **Feedback is lacking.** Critical feedback is needed early and frequently in a career to help people realize their potential and improve their competencies. Managers and leaders are often not good at giving balanced and critical feedback. Unfortunately managers do not usually have the time, interest, or ability to give feedback on the things that count.⁸
-  **Limited resources for development.** Organizations tend to place professional development far down on the list when determining how to spend limited resources. Small organizations tend to struggle with finding the financial resources to develop employees and rarely have the time or know-how to do succession planning and leadership development.

If these challenges can be overcome, a leadership pipeline can be established in an organization or a community.

How can nonprofit organizations begin the process of identifying and developing a healthy supply of high potential talent?



In this qualitative study, using a sample of 36 nonprofit Executive Directors from the human services sector, we set out to answer the following questions:

- What is a possible leadership competency model for nonprofit leaders? Do these competencies differ by budget size?
- What developmental activities have been described as most effective for participating leaders in developing their competencies?
- What are the implications for grantmakers investing in nonprofit leadership development, for Boards of Directors faced with hiring new leaders, for succession planning and next generation development, and for people interested in careers as nonprofit Executive Directors?

The Methods We Used

The research design began with a comprehensive review of available literature of leadership development, both in the for-profit and nonprofit sectors. An advisory group of grantmakers and researchers convened to guide the research process and design. Participants in the study were nominated by funders from the greater Pittsburgh community. Seven foundation program officers gathered for a discussion about what makes a successful leader, and submitted 75 names of leaders from human service sector nonprofits in Allegheny County that they felt matched this description. This list was narrowed to 56 individuals who were mentioned by their foundation colleagues more than two times, and these individuals were invited to participate. Of this group, 36 accepted the invitation and completed all phases of the study.

Assumptions and Limits of this Study

- It was determined that limiting the study to the human services sector would allow for the most accurate comparison between participants. While we believe that the results can be generalized to other mission areas, limiting the subsector allowed us to draw clearer conclusions.
- The methodology we used to select participants does not account for funders' bias or the potential for "successful" leaders to be missed because they are not known by local funders. However, given the strength and presence of the foundation community in Pittsburgh, and the scope of this study, this was the most viable option for identifying successful leaders.
- This is an anecdotal study that lacks a control group. While we attempted to include as much quantitative data as possible, the study is largely based on the qualitative information gathered during the interviews.





- The study's design does not allow for conclusions on what competencies make an effective leader; rather it shows that these competencies are demonstrated by leaders that others see as successful.
- The design of this study does not allow conclusions of what activities cause leadership traits to be developed. However, it provides anecdotal correlation that can guide decision-making as it relates to investment in leadership.
- Budget size was used to group organizations to determine differences in needed competencies. It was assumed that larger budgets indicated more staff and greater complexity.

The research phases were:

1. Each participating leader completed an in-depth online survey, soliciting demographic and organizational information. Using this information, participants were broken into three groups by budget size:
 - 10 had annual operating budgets of less than \$1 million
 - 12 had budgets of \$1 million to \$5 million; and
 - 14 had budgets of over \$5 million.
2. Within these groups, the leaders identified the competencies most essential to managing an organization in their budget range.
3. Participants also completed a DiSC profile, which measures four aspects of behavior.
4. Each leader was interviewed by a researcher; these in-depth interviews explored the leaders' personal and professional experiences, and revealed trends that are outlined in this report.
5. Each leader also identified five or more members of their Board of Directors. They were invited to complete an online questionnaire rating their Executive Director based on the competencies identified in the study.
6. The initial data findings were presented to the participating leaders for their reaction and challenges. The reactions of the participants shaped the interpretation of this data and the final presentation of this report.

Who are these leaders?

The average participant in our study mirrored the demographics of Executive Directors in the overall nonprofit sector, both nationally and in Allegheny County.⁹ According to *Daring to Lead*, women make up 66% of nonprofit Executive Directors overall. Over 80% of Executive Directors nationally are white.¹⁰

- The average age of our leaders was 50 years old. The youngest leader was 29, while the oldest was 66.
- 75% percent of leaders were white; 25% were black.
- The group was 56% female and 44% male.
- 65% of participants had a Master's degree. Common degrees included Master of Social Work, Master of Education, Master of Public Administration or Management, or Master of Business Administration.
- The average tenure of the leaders was about 10 years. Recent research suggests that excellent leaders typically have longer tenures with their organizations. However, our study sample comprised both new leaders (tenure of just under 2 years) and very seasoned leaders (tenure over 30 years).

What did we learn about the participating nonprofits?

Our leaders represented a diverse array of organizations; however, this sample does reflect the nonprofit sector in Allegheny County generally.¹¹

- Annual operating budgets ranged in size from \$200,000 per year to more than \$42,000,000, with a median budget size of approximately \$3,200,000.
- Organizations' median board size was 19 members.
- The median number of full- and part-time staff was 58.

Participants were asked to identify their organizations using the stages in *The Five Life Stages of Nonprofit Organizations* by Judith Sharken Simon¹². These stages are listed in the table below. Clearly, organizations viewed themselves as mature in their experience and growth. Reflecting this fact, 81% of organizations represented have developed a strategic plan.

Organizational Life Stage	Percent of Orgs.
Stage One: Imagine and Inspire	0%
Stage Two: Found and Frame	0%
Stage Three: Ground and Grow	24%
Stage Four: Produce and Sustain	32%
Stage Five: Review and Renew	44%

We used a modified version of 11 common organizational clusters of activities that were identified by Lominger Limited, Inc. in *FYI for the Nonprofit Sector*¹³ to determine the areas of greatest challenge for our participating organizations. In the survey, leaders were asked to identify their organization's top three challenges. The chart below identifies the percentage of participants who chose each challenge as one of their organization's top three.

Challenge Cluster	Percent
Communication and engagement with constituents (strength of communications and relationships with external stakeholders, including funders, customers, volunteers, etc.)	51.4%
Funding management (fundraising, fiscal management, and sustainability)	45.6%
Measuring effectiveness	43.2%
Board and governance effectiveness (board engagement, board effectiveness)	37.8%
Building and managing alliances and partnerships	32.4%
Retaining staff and volunteers	29.7%
Getting volunteers	24.3%
Managing volunteers and staff	16.2%
Crafting, communicating, and implementing the vision	10.8%
Running the business (using standard business practices to run the organization)	8.1%
Leading a nonprofit (Executive Director Effectiveness – Delegation Skills, Strategic Agility, planning, etc.)	0%

Additionally, during the interviews participants were again asked to describe the biggest challenges facing their organizations. The results were largely the same. In many cases, the competencies identified in this study are those needed to overcome the challenges cited most commonly by the participants.

“How do you really pay attention to the critical issues? There are issues that make you anxious that really aren't critical...It's too easy to get into trying to fix problems, and thinking that if you fix all the problems, everything is going to be OK. There will always be problems and challenges...”



Biggest current organizational challenges faced by participants:

- Funding and Development
- Managing Growth and Change
- Staffing and Human Resources issues

The leaders in this study were identified by Pittsburgh-area foundations because of their success in leading their organizations as Executive Directors. Because of the long tenure of many of these leaders, we felt that succession planning was a relevant question.

Almost three-fourths (72%) of our leaders had an identified “second in command.” Titles for these individuals included Associate Director, Chief Operating Officer, Vice President, and Program Director. This is consistent with recent studies, which suggest that high-impact nonprofits follow a “two at the top” model of leadership, with an Executive Director or CEO sharing responsibility with a senior level COO or other second-in-command.¹⁴ It was not clear that these individuals would necessarily be the successor to current leaders if they did leave the organization. In fact, only 21% of our leaders’ organizations had a formal succession plan in place.

“I am firmly aware that if I or the organization is experiencing success, that is not really about me. It’s about us. When I became CEO, we created a Leadership Team...that approach has really been grounding for me because there are some decisions that we’ve made organizationally that I would not have made on my own. In retrospect, most of those decisions were wise.”










What is a possible leadership competency model for nonprofit leaders?

We began the study by asking our participating leaders to identify their own strengths using a set of 67 leadership competencies. Results were tabulated, and the following competencies were those most frequently self-identified as strengths (listed in descending order of the number of times the competency was identified). The refined definition of each of these competencies is listed in the appendix of this report.

-  Ethics, Integrity and Trust
-  Managing Vision and Mission
-  Presentation Skills
-  Decision Quality
-  Interpersonal Skills
-  Client Focus
-  Motivating Others
-  Organizational Dexterity
-  Writing Skills
-  Approachable
-  Sense of Humor

Next we conducted a series of focus groups with participants asking them to think about the competencies they believed were needed to be effective and successful leaders of nonprofit organizations. Participants were cautioned not to think about themselves but rather to envision having to select a new leader for an organization similar to theirs. The results combined from all three focus groups (listed in descending order of the number of times the competency was identified) were:

-  Ethics, Integrity and Trust
-  Managing Vision & Mission
-  Strategic Agility
-  Motivating Others
-  Client Focus
-  Decision Quality
-  Priority Setting
-  Delegation Skills

Focus groups were conducted with organizations of similar budget sizes. The goal was to examine whether the size of the organization impacted the selection of competencies necessary for success. The following chart indicates similarities and differences.

Under \$1M	\$1M-\$5M	Over \$5M
Ethics, Integrity & Trust	Ethics, Integrity & Trust	Ethics, Integrity & Trust
Managing Vision & Mission	Managing Vision & Mission	Managing Vision & Mission
Motivating Others	Motivating Others	Motivating Others
	Decision Quality	Decision Quality
	Delegation Skills	Delegation Skills
	Composure	Composure
	Strategic Agility	Strategic Agility
Organizing	Organizing	
Political Savvy	Political Savvy	
Action Oriented		Perspective
Creating Processes		Decision Timeliness
Planning Skills		
Priority Setting		

(Note that for ease of comparison, these competencies are not listed in any particular order.)

This leads us to some interesting observations:

- 1. Smaller organizations, which we assume require more hands-on management, indicate a greater orientation toward action, setting up processes, and defining priorities.**
- 2. Larger organizations, with presumably more staff and complexity, identify Composure, Delegation Skills, and Strategic Agility as needed competencies.**
- 3. Each organization will need to look at our list of suggested competencies and add additional competencies that are relevant to their size, life stage, and future goals.**

Members of Boards of Directors of participants' organization were provided with a combined list of the competencies identified by all three budget sizes.¹⁵ Board members were asked how important they believed each quality was to the leadership of their organization. Board members overwhelmingly rated each competency very high. The highest rated were: Client Focus, Decision Quality, Interpersonal Skills, and Strategic Agility. In contrast, Client Focus and Interpersonal Skills were not chosen as top competencies in the focus groups based on the organization's size. But they were identified as important personal characteristics by most of the participants.

“It’s not so much the knowledge (about what you’re doing), but it’s being able to come up with the strategies to get it done.”



Based on all of the above, we propose the following basic competency model for “effective” nonprofit leaders (in alphabetical order):

- Client Focus
- Decision Quality
- Delegation Skills
- Ethics, Integrity & Trust
- Interpersonal Skills
- Managing Vision & Mission
- Motivating Others
- Presentation Skills
- Priority Setting
- Strategic Agility

This final list was determined by using those competencies that were identified with the highest frequency across all groups (individuals' strengths, focus groups, and feedback from Boards of Directors).



Behavioral Characteristics of Participants

In an effort to understand if there were any common behavioral traits among our group, we used the DiSC Behavioral Profile. DiSC is a tool that describes one's observable work behavior patterns, "style," or "type." DiSC profiles "how we act." DiSC is widely used across the world, has proven reliability and validity statistics, and shows no preference to race, gender, ethnicity, or religious affiliation.

DiSC identifies how people respond to problems, people, pace and procedures. Specifically DiSC measures four dimensions of behavior applicable to most leadership roles:

- How a person solves problems and responds to challenges (D = Dominance)
- How a person attempts to influence or persuade others (I = Influence)
- The pace at which a person responds to change (S = Steadiness)
- How a person responds to rules and regulations (C = Conscientiousness)

DiSC results are often described in terms of someone being "rated high" on the scale in a particular dimension. It is rare that someone rates "high" on only one of the four dimensions and it is the combination of all four rating scales that indicates a certain type or style. The following summaries describe how someone who is rated "high" in each dimension will appear to others.

- Dominance:** Direct and Decisive. D's are strong-willed, strong-minded people who like accepting challenges, taking action, and getting immediate results. People with a high D component like to take charge and are typically found in positions or power and authority.
- Influence:** Optimistic and Outgoing. I's are "people people" who like participating on teams, sharing ideas, and energizing and entertaining others. They are typically found in positions that require the ability to persuade and influence others – such as sales.
- Steadiness:** Sympathetic and Cooperative. S's are helpful people who like working behind the scenes, performing in consistent and predictable ways, and being good listeners. People who are high on the S scale may have trouble adapting to rapid change.
- Conscientiousness:** Concerned and Correct. C's are sticklers for quality and details and like planning ahead, employing systematic approaches, and checking and rechecking for accuracy.

Our research indicates that, as we would suspect, the vast majority of the participants rated high in the Dominance dimension (88%) with 57% scoring this dimension as their highest of the four. The second highest dimension was Conscientiousness, followed by Influence and then Steadiness. The table below demonstrates how participants scored on the four dimensions of DiSC.

	% scoring high on this dimension	% with this as the highest of the 4 dimensions
Dominance	88%	57%
Influence	57%	40%
Steadiness	37%	2%
Conscientiousness	68%	20%



While this does not allow us to conclude that there is any one best or right style for nonprofit leadership, we found the results interesting and relevant to how leaders chose developmental activities.

- We can conclude that having a high Dominance rating, while not a requirement for success, is typical of an effective leader.
- The attention to detail and standards found in those with high Conscientiousness ratings may be tied to their organization's environment and reporting requirements.
- We can speculate that those with high Influence ratings are more likely to enjoy persuading others and that people with this style may find traditional fundraising approaches easier.
- The Steadiness dimension is rated high in only 37% of participants. Perhaps this is because those with high S ratings, while being excellent team players and good listeners, often have a hard time coping with ever-adjusting and sometimes chaotic operations and conflict and therefore many chose to play behind-the-scenes roles.



What do the leaders consider the best ways they developed their competencies?

Through in-depth interviews with participants, we set out to understand what types of leadership activities they had experienced, and then what experiences stood out to them as the **most developmental**. During the interviews participants were first asked for “top of mind” examples of effective developmental experiences, and then were prompted using a list of common experiences. If participants said they had had the experience, they were asked to rate the effectiveness of the experience on a scale of 1-5 (with 5 being most effective). The result of these conversations provides us with a diverse and fascinating collection of stories and personal journeys.

In order to draw some solid conclusions, we began by codifying the developmental experiences into 33 distinct categories. Examples of specific experiences included: “learning from a good boss” versus “learning from a bad boss,” “had an executive coach,” “was mentored early in career.” We then analyzed the results for those activities that were both common and also rated as effective. These were:

Developmental Category	Average rating out 5.0
Personal or life experiences	4.69
On-the-job training and experience	3.60
Scale or scope of job changed	4.33
Unanticipated change in job or role	4.16
Had a mentor	4.16
Peer-to-peer sharing	4.16
Learned from a good boss	3.93
Executive Coach	3.66
Having a bad boss	3.66
Turning around something that's failing	3.88
Overcoming challenge or hardship	3.75
Learned from mistakes	4.33

We identified four broad categories of common and effective leadership development experiences. They are (in no particular order):


- Personal or life experiences (upbringing, faith, natural talents, early family life, etc.)
- Change in scope or role, including unexpected changes
- Significant other people (mentors, bad/good bosses, coaches, peers, etc.)
- Overcoming hardships or adversity, including turning around something that is failing





Unique to the nonprofit sector

It should be noted that research in the for-profit sector about how leaders develop reflects some similarity to our results. Adversity, which includes overcoming hardships or turning around something that is failing, is often cited as highly developmental. Diversity of experiences, which includes changing scope, roles, functional areas and organizations, has been proven to have high impact on leadership development. Significant other people in the form of mentors, coaches and bosses are often the third most recognized component of leadership development.¹⁶

But we did find some aspects of the described experiences to be unique to our participants and possibly to the greater non-profit sector.

 **Personal or Life Experiences:** The first was the frequent mention of some personal or early life experience that “taught” the individual about leadership. One example is the leader of a nonprofit who described moving from town to town with his minister father; leadership skills and understanding others were learned through observation at early age. Similarly a leader described growing up in a military family that moved frequently; she learned early on how to quickly persuade and engage others in order to make friends. Another participant described how he came to realize at an early age that people would listen to and follow him. Faith played a role in a number of the conversations -- with several participants being active ministers or playing a spiritual or religious role. Two participants were former priests. Several participants described how they believed that leadership skills were inherent talents and that they had not consciously sought to develop these natural gifts.

 **Overcoming Hardships or Adversity:** We heard many stories of being “thrown into the fire”, fighting off a crisis, or turning around a failing program. What made these experiences different from those in the for-profit sector is that hardship is a daily reality for most non-profit leaders – not a planned assignment. As one leader told us, “there is almost nothing about my job that is not a hardship; in fact it’s the easy stuff that is unusual.”

 **Change in Scope or Role:** Many of our leaders came to their current roles through movement from a program staff position into a program manager position and then the CEO role. A number of our participants had spent their entire careers with the same organization. Few had had the broad experience of going from a program role to a development role and then into finance to end up as a CEO. Most described being thrown into the CEO role at a certain point and then learning through trial and error what worked and didn’t work. A fortunate few were taken under the wing of a mentor or provided a coach to help guide them. So although changing scope or roles was described as a common and developmental experience, for our study group it looks very different from the corporate model of rotating through functions and organizations to build broad experience.





The Role of Performance Feedback

In their book *The Leadership Machine*, authors Lominger and Eichinger said that “nothing happens until career-minded people get direct, timely feedback on the things that matter. Critical feedback is a must in stimulating people toward self-improvement...we have to get feedback on strengths and weaknesses; on the things that really matter now and in the future; to motivated people, on a timely basis for anything meaningful to happen.” The authors go on to talk about how poor managers and executives are at giving balanced and critical feedback. And they state that managers do not usually have the time, interest, or ability to give feedback on the things that count.¹⁷

“Recognizing my natural strengths and weaknesses early on was very helpful. I got good feedback which helped me to understand what those were. This allowed me to accentuate the strengths and supplement the weaknesses. Then I had people help me to address those issues.”

This has implications to our study in two ways. The first is the effectiveness of the feedback that nonprofit leaders receive from their Boards – who are possibly even worse at giving feedback than most managers. The second implication is to the ongoing development of next generation leaders who are receiving feedback from an already “terminally busy” CEO who may not have been trained in effective methods of giving performance feedback.

We asked participants to describe their annual performance review process and then rate its effectiveness on a scale of 1- 5 with 5 being very effective. The average rating of performance evaluation effectiveness was 3.25.



The process being used by many of the participants entailed the CEO being asked by the Board of Directors to put together a list of accomplishments or progress on goals – most often tied to the strategic plan goals – to be submitted to the board chairperson. The board or some portion of the board was asked to rate performance and discuss salary recommendations. This information was then presented to the CEO by most typically the Board Chair.

What typically gets evaluated in a nonprofit CEO's review are the leader's results or how they measure against the job description. Few leaders reported getting regular feedback on their leadership skills or competencies. Some interesting observations about feedback from participants were:

“The board only knows what I tell them or they observe during their interactions with me at board meetings.”

“At this point in my career – the lack of feedback isn't an issue. But early on it would have been very helpful.”

“I think my board is afraid of being critical of me. They see how hard I work and know the struggle that we are going through and I also think they worry that if I leave, they'll have to do a lot of work to replace me.”

Getting solid and objective feedback in the form of a 360° review has been shown to be more effective than boss-only reviews. “360°” refers to gathering feedback from bosses, peers, direct reports and clients. This type of feedback has become commonplace in corporate settings but has not been as widely used in nonprofit settings. Of our participants, 10 had gone through a 360° review at some point in their career; all described the experience as effective or helpful.

Obviously many opportunities exist for enhancing leadership development through better feedback in annual reviews and through effective use of 360° tools. At the end of this report we suggest ideas for organizations and Boards of Directors to improve the effectiveness of their feedback.

Other Observations

- No one-size-fits-all development. In conducting the interviews and sifting through the development experiences, we were struck by how what worked for one person was not effective for another. Individual differences in personality, learning styles, experience and backgrounds require unique and tailored developmental experiences. We found that the “one size fits all” approach is not effective. As an example, everyone who attended a week- long executive education course at Harvard University was enthusiastic about the experience, but the long-term leadership developmental effectiveness differed depending on where they were in their careers and lives. Another example: those people who described themselves as more introverted (and as measured by the Influence scale on the DiSC Profile) found less value in activities such as peer-to peer networking or professional groups than did those who were more extroverted. Introverts tended to look within for their answers, or to read a book. If they did have to turn to the outside, they mentioned only one or two close mentors as confidants.
- Executive Coaching as a more recent developmental tool. Six of our participants had used an Executive Coach to help develop their leadership skills. In some cases this was self-initiated and in others was board initiated. All found great value in their work with a coach. But coaching is a relatively recent – and more expensive – development tool for nonprofits. In fact we speculate that it will be more widely used in the future as coaching becomes a more common nonprofit practice. If it is an effective tool once you’ve reached the top, can it be even more effective in helping to develop the next generation of leaders?
- Application to other sectors? Our participants were all leaders of human services and as such many had religious or social services backgrounds. The same study conducted with leaders from the arts or economic development sectors might yield different conclusions.
- Need for gaining experience with a Board of Directors. Sprinkled in many of the stories we heard was the difficulty of learning how to work with a Board of Directors. Many participants had had the experience of being on a Board, or sitting in on Board meetings, but few felt adequately prepared for the politics of building, engaging, and reporting to a Board. Again, trial and error were the teachers but this is an aspect of nonprofit leadership development that has no for-profit counterpart and that may warrant more attention.
- Gender and race in this study. Due to the small sample size used in this study, it was not possible to draw conclusions on the differences in development experiences based on race or gender. Several women and minority participants did, however, comment that having to overcome gender and race barriers and issues was part of what they considered to be developmental experiences. The DiSC behavioral profile analysis showed no differences in race or gender when compared to the group as a whole. We suggest that further study should be done to determine the effects of race and gender on effective leadership development experiences.

Our Model for Identifying and Developing Nonprofit Leaders

Based on the findings in this study and our experience with hundreds of nonprofit organizations we believe that there is a model that can be used to identify and grow leadership competencies in the nonprofit sector. We recognize that competencies without the necessary skills will create a different set of problems and recommend that skill development be included as separate discussion in development planning.

1. Identify the challenges and strategies that will impact the organization, sector, or community over the next five years.
2. Create the model of a core set of leadership competencies and behavioral characteristics that will be needed to overcome the challenges and execute the strategies.
3. Identify a possible pool of “high potential” successors for the job in question.
4. Use the competency model to assess the leadership potential of each person in the high potential pool. Assessments typically take the form of “360° performance feedback”, personality and skills tests, and “in-basket” and/or case exercises.
5. Using the results of these assessments, identify who is “ready now,” “ready in 2-4 years,” or in some cases identify those who will be better as individual contributors rather than leaders of others.
6. Create a tailored development program for each individual to improve his or her abilities and close the gaps in competencies. Ensure that measures of success are embedded in the program.
7. Measure progress frequently and provide useful feedback to the individual.
8. Use this pool of talent to fill positions when they become available.



Ideas for Grantmakers:

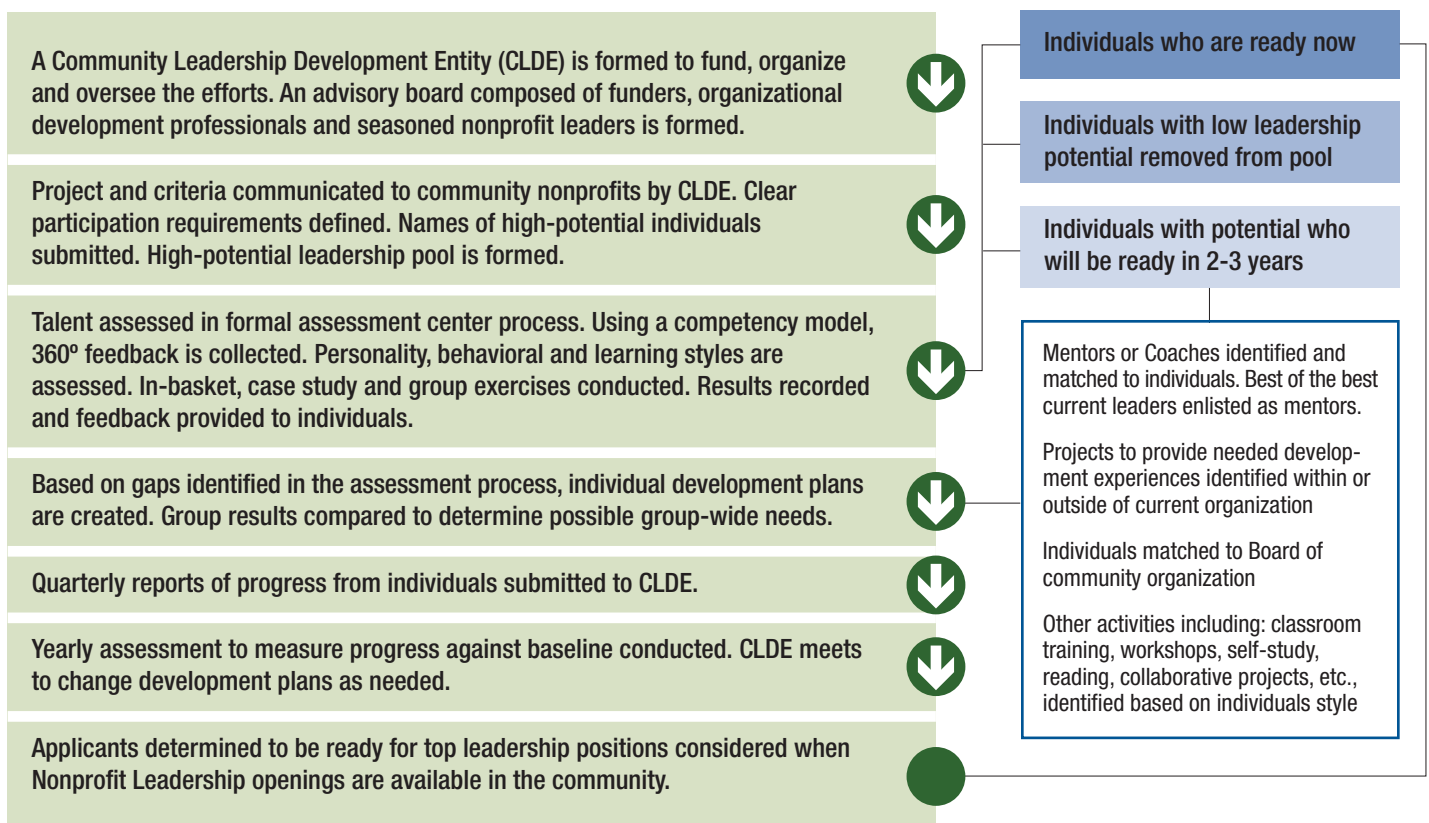
Create a community talent pool of high potential leaders. See the sidebar for a potential model for this community talent pool. In order for this model to be successful, the input and work of many partners in the community are required. We envision community nonprofits and foundations coming together to identify and pool high-potential nonprofit leaders and to work collectively to develop this community talent.

Clearly defined participation requirements and agreements with the participating nonprofits is important, as is communicating the benefits and the possible constraints to participants. A key first step is using a formal and consistent talent assessment process to determine who will be part of the pool. Where appropriate, these chosen individuals will have access to each other's organizations to broaden their experience — perhaps in the form of board service or collaborative projects.

While we encourage customized and tailored development plans that rely heavily on projects and on-the-job experiences, we also believe that some group-wide activities can be used. Peer groups, workshops on how to work for and with a Board of Directors, and the chance to hear directly from seasoned leaders are examples.

Mentors can be enlisted from the “best of the best” community leaders whose strengths can be matched to individual needs. Executive Coaches can help to guide the process, hold participants accountable to timeframes and assess progress.

When a position for a nonprofit leader becomes available in the community, the current crop of “ready-now” leaders would be considered for the position.



Other ideas for grantmakers include:

- This report demonstrates that there is no one “best” way or one experience that will work for developing all nonprofit leaders. Grantmakers should fund a variety of leadership development options and these should be carefully matched to an individual's or organization's specific needs.
- Share this report with your grantees, and convene grantees to discuss the research and its implications. For example, to seed further discussion in a community, the authors of this study could be invited to discuss the research and share their insights and recommendations.
- On grant applications, ask specific questions about how Boards evaluate and develop their CEO. Questions could include: Do you conduct an annual performance review for your CEO? What percentage of the budget is dedicated for staff and leadership development? How much of these funds were used specifically to support the CEO in the last year? Do you have a succession plan?
- Support community leadership development entities to maintain current information and resources about leadership development of nonprofit CEOs. Convene those organizations dedicated to supporting nonprofit board and/or leadership development to discuss the implications of this report to their work.
- A group could be funded to maintain a consistent and tailored set of assessment tools. The methods would be applied to current and future nonprofit leaders. Encourage organizations to use these tools and processes to evaluate the current or potential CEO.
- Host learning circles for deputy or associate directors or identified successors. Create opportunities for these “next in line” directors to learn together and build a network in preparation for leading their organizations.
- Fund the creation and dissemination of materials about nonprofit career paths, including how to develop both competencies and hard skills.

Ideas for Boards of Directors:

- Boards of Directors must remain mindful that one of their main roles is the recruitment, development, and retention of their Executive Director. Boards must help the organization find the funds not only to support the development of the current leader, but also to support the development of potential successors. This goes beyond simply ensuring a budget line item for professional development. It includes ensuring that professional development actually takes place and its effectiveness is measured.
- Boards may find the core competency model we developed in our study to be a starting point for both hiring a new CEO and also as a way to inject competencies into performance evaluations. It is important to add additional competencies that will be needed to overcome specific organizational challenges.
- Boards reading this document should understand the need for changing performance evaluation practices and feedback mechanisms to make them more effective. In addition to giving feedback on what the CEO has done (goals and responsibilities), boards must also give feedback on leadership competencies.
- Boards must get comfortable in giving feedback, both positive and negative, to their CEO. Those responsible for giving this feedback should receive training in effective performance management practices.
- Boards seeking to develop the CEO's leadership competencies may find that doing a formal 360° review will be an effective starting point. This feedback should be used to create a specific and measurable leadership development plan in partnership with the CEO but not used in a punitive manner.
- Boards must hold the current CEO accountable for developing potential leaders and creating a succession plan. Having potential successors participate in Board meetings and committees is one way to ensure that development is occurring.

Ideas for Succession Planning and Next Generation Leadership Development

- The methodology presented here should be a useful starting point for Executive Directors, Boards, and grantmakers concerned with the nonprofit leadership deficit. It will help them develop succession plans and identify those with the potential to become the next generation of leaders in the region.
- Define a competency model for your organization that reflects your unique situation and challenges.
- Create a community talent pool of high-potential leaders. See the graphic on page 23 for a possible model.
- We highly recommend using the tools that have proven successful in other sectors: 360° reviews, personality and behavior assessments, effective performance evaluations.

Ideas for People Interested in a Career as a Nonprofit CEO

- Get critical and solid feedback on your leadership competencies early and often.
- Understand how you are perceived by others. Take a Myers Briggs, DiSC Profile, or other personality or style assessment and then learn how you will need to adapt your behavior to be successful.
- Rate yourself, and have others rate you, against the competencies we've described in this report. Those areas where you are not rated high or where you struggle should be your focus. Create a plan for how to get more experience in these areas either within your current job or in your life outside of work.
- Some competences are harder to develop than others (i.e., Strategic Agility is harder to develop than Client Focus). If these "hard to develop" competencies are not your natural talents, you will need to surround yourself with others who do have these abilities.
- Gain both broad and specific experience in a nonprofit setting.
- If you have never worked directly with a Board, gain experience by sitting on nonprofit board and/or participate in committees and taskforces.
- Be able to discuss with potential employers how you will respond to the fundraising, growth, and human resources challenges that face most nonprofits.

Further Research Questions

This research creates an agenda for developing the next generation of nonprofit leaders that can be put into action right away. Our inquiries raised questions that could guide the next phase of research:

- Are there any differences in other sectors (i.e., arts, environment, economic development)?
- How do gender and race impact leadership development experiences?
- What are the differences in leadership competencies for leaders who came from the for-profit sector rather than those who grew to leadership in the nonprofit sector? How were they developed?
- Effective nonprofit leadership requires both leadership competency (soft skills) as well as competency in technical areas (financial, programs, fundraising). Is one more important than the other? How do we balance training and development so that both skill sets are developed?
- Recognizing that organization size and perhaps life-stage changes require some additional competencies, what are appropriate interventions or support that might help a leader manage a growing organization?

Appendix

Definitions of competencies referred to in this study in Alphabetical order:

Action Oriented

Targets and achieves results; full of energy and willing to take a hands-on approach, moves quickly from planning to action. Has a strong sense of urgency to accomplish goals.

Approachable

Creates an atmosphere where others feel comfortable in approaching him or her. Tends to be sensitive to others needs, listens well and is generally regarded as pleasant company.

Composure

Possesses equanimity in the face of uncertainty and/or crisis and remains level-headed. Has a calming effect on others by deftly handling stress and resisting frustration.

Client Focus

Profoundly driven to satisfy the needs and expectations of the organization's clients and employees. Requests client information in order to improve programs and decision-making, always keeping clients at the forefront of his attention.

Decision Timeliness

Ability to resolve questions within given timeframes. Can make decisions quickly when necessary even without complete information.

Decision Quality

His or her approaches, solutions and analyses have a strong tendency to be correct in the long-term. Recognized for the ability to make accurate decisions.

Delegation Skills

Trusts other people to perform. Broadly shares responsibility and accountability. Allows subordinates to perform both important and routine tasks and assignments and trusts others to achieve the desired result.

Sense of Humor

Uses humor in a effective, beneficial manner to defuse tense situations. Can take a light-hearted view of him or her self. Funny in appropriate ways; laughs easily.

Ethics, Integrity & Trust

Perceived as an honest individual with great integrity. Does not break confidences or engage in self-interested misrepresentations of the truth. Is guided by a suitable battery of core values and sincerely-held beliefs that are maintained in the face of change and difficulty. Actively recognizes and promotes correct values among others.

Interpersonal Skills

Builds strong work relationships and adjusts to how individuals, organizations and cultures function and react; has the ability to sense how others are feeling and is able to foster rapport with a variety of people.

Motivating Others

Can motivate others through empowerment and inspiration. Stresses the importance of colleagues' work and builds an environment where employees are fully dedicated to their work.

Organizing

Can marshal resources to get things done; can orchestrate multiple activities at once to accomplish a goal; accomplishes tasks efficiently and effectively.

Organizational Dexterity

Grasps organizational culture and norms and understands how to complete tasks leveraging both formal and informal processes.

Perspective

Tends to be open-minded and have a multi-disciplinary perspective on challenges, bringing a wide range of personal interests and experiences to bear. Can appreciate multiple impacts and effects of issues for both the present and future.

Planning Skills

Deconstructs complex tasks and projects into concrete actions and objectives. Aligns tasks to work schedules and staff assignments.

Politically Savvy

Can identify and sidestep political pitfalls effectively. Possesses a sense of how individuals and groups function and adjusts expectations to the reality of organizational politics. Can maneuver through complex situations.

Presentation Skills

Has oral communication ability across many situations, including groups large and small, one-on-one conversations and formal presentations. Commands the attention of his or her audience.

Priority Setting

Can identify the few key issues or priorities to address from the multitude of less important issues and organizational noise. Commits his or her and others' time to the most important priorities.

Creates Processes and Systems

Innate sense of how to use processes to achieve a set of desired results, including how to structure work and tasks, assign tasks to teams and individuals, align tasks into a series. Can make complex processes simpler. Can create systems to get desired results.

Strategic Agility

Sees the big picture to identify key areas or underlying issues and to develop effective strategies. Using broad understanding and viewpoints, can forecast future trends correctly. Possesses the ability to credibly depict future scenarios, plans and opportunities.

Managing Process

Able to figure out the process necessary to get things done; knows how organizations and people work; understands how to separate and combine tasks into efficient work flow; can see opportunities for synergy and integration where others can't.

Managing Vision and Mission

Can develop and share a clear and optimistic vision for the future of the organization. Inspires and motivates employees to consider future possibilities and the wider purpose of the organization.

Writing Skills

Possesses the ability to write clearly and effectively in a variety of styles across different settings. Can write persuasively to achieve the desired effect.

Endnotes

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- ¹² Sharken Simon, Judith. *The Five Life Stages of Nonprofit Organizations: Where You Are, Where You're Going, and What to Expect When You Get There*. Fieldston Alliance: 2004.
- ¹³ Lombardo, Michael, Robert W. Eichinger, Adrienne M. Johns. *FYI For the Nonprofit Sector*. Lominger Limited, Inc.: 2001.
- ¹⁴ Crutchfield, Leslie and Heather McLeod Grant. *Forces for Good: The Six Practices of High Impact Nonprofits*. John Wiley & Sons, Inc: 2008.
- ¹⁵ Note that each participant invited at least five of their Board members to participate in an online survey. Board participation rates varied widely, from 100% of all Board members to no Board members. Generally, though, participation rates were fairly low.
- ¹⁶ Center for Creative Leadership. www.ccl.org
- ¹⁷ Lombardo, Michael M. and Robert W. Eichinger. *The Leadership Machine: Architecture to Develop Leaders for Any Future*. Lominger Limited, Inc.: 2002.



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