

A New Seat at the Table:

When Is It Time to Add to Your Senior Management Team?

As organizations grow, so do the demands on their senior staff. But because adding a new position to the senior management team can be a considerable expense and can significantly change how the organization works, most organizations don't undertake this change impulsively. So, how does an organization know when it's time to add a new position to the team, what specific skill sets to seek, and how to justify the expense?

When and why

The vast majority of nonprofits that have recently created new senior positions said that they expanded their senior management team when their organizations hit one or more of the following phases of development.

The organization has reached a point where it needs to offload some top-level responsibilities from current senior managers. For example, former Teach For America Chief Operating Officer (COO) Jerry Hauser said he was promoted to become the organization's first COO because President and Founder Wendy Kopp was "spread too thin and spending too much of her time managing internal operations, so we were worried about missing opportunities."

The organization is in a period of growth, or about to undertake one, and needs to build organizational capacity to meet growth goals. This might be after winning a major new source of funding, or expanding into new programs or new geographies, or simply increasing the number of people it serves. Regardless of the type of growth, organizations often find that in order to maintain quality (and sanity) during a time of growth, they must add new management capacity and capabilities to keep things running smoothly. For example, when a \$10 million human services organization got a grant for national expansion, it initiated searches for several new positions on its senior management team, including directors of finance, information technology, and communications.

The organization recognizes a skill gap, or the need to balance or supplement the skills of other senior managers with additional expertise in particular functional areas. Often, an organization will enlarge its senior team with an eye toward making sure all of the key parts of the organization are represented around the table. For example, one youth-serving organization recently considered adding a chief financial officer (CFO) to its senior team. The COO, whose focus was operations and programs, did not have a strong financial background. While the executive director (ED) was able to provide the organization with a strategic perspective on finance, he wanted a senior thought partner on financial issues. Furthermore, he saw himself retiring in about five years and wanted to build a team around him with a full set of management capabilities, to help ease the inevitable transition.

The organization recognizes the need to elevate a given function to be part of high-level strategic discussions. For example, one organization decided as it reached the \$25 million mark to add a director of human resources (HR) to the senior management team. Previously, it had had an HR manager who managed basic activities such as benefits, recruiting, and compliance with policies. However, the ED felt that bringing the organization to the

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next level in effectiveness required more strategic HR leadership that could take a proactive role in professional development, performance evaluation, organizational development, succession planning, and retention across the organization.

Obstacles to building the team

Organizations may experience one or more of the above needs to varying degrees at almost any point in their development. And yet many do not hire new senior managers, or they postpone such hires until the need is so strong that the organization is in crisis.

Why? Nonprofit leaders shared two predominant countervailing forces that tend to keep organizations from adding senior positions.

Cost. The factor that organizational leaders almost always bring up first is the cost of adding a senior position, and the need to justify that cost given the funding constraints experienced by most nonprofit organizations. Allison Devore, ED of StreetWise Partners, said that in her experience, when a board member or someone else questions whether an organization of a given size really needs a senior manager that they are considering hiring, “99.9 percent of the issue is money.” She added that it’s almost never a question of whether the organization would be better run with the additional position. Said Devore, “We’re growing at over 40 percent a year, but when it comes down to actually hiring senior people necessary to manage that growth, you either take the risk—hiring though you know that very few funders provide general operating grants at the level that would support a senior hire—or you decide that you’re not going to be able to hire that person right now. It’s hard to secure and sustain funding for this type of position even if the organization can demonstrate both a need and a record of strong performance.”

In addition to adding a recurring expense that can’t easily be cut later, senior management positions tend to fall into the dreaded “overhead” category that is particularly difficult to fund through traditional means. Devore noted that it can be hard to explain to funders how hiring a CFO, for example, will positively affect programs. “We’ve come so far as a sector in that people think about performance and measurement and they want to know what something is worth for the client you serve,” she said. “But I sense the pressure for making sure that everything we’re doing with our money is directly related to serving x number more adults and youth, and when hiring people on your senior management team, that’s just a harder case to make.”

Concerns about impact on culture. A second reason that some organizations delay adding a senior position is a conscious or subconscious desire to hold off changes in organizational norms and culture. When a new role is carved out, it generally reduces the breadth of someone else’s role (for example, the ED whose focus becomes almost entirely external when a COO position is added, or the COO who gives up responsibility for finance when the organization’s first CFO is hired). If that person enjoys having a wide range of responsibilities, s/he may be reluctant to have them pared back.

In addition, if the new position adds a new layer to the organizational chart, some middle managers may feel they have less access to the ED or COO or that the organization is becoming unnecessarily bureaucratic. For example,

Hauser commented that when Teach For America created its COO position, “It was a big shift to put a layer between everyone else and Wendy [Kopp, the president and founder].” He added, “Some people were happy because they knew they would get more attention than Wendy could give, but some people were worried about losing touch with Wendy and felt some anxiety about the ‘demotion’ idea.”

The fear of bureaucracy may arise particularly if the new position is intended to create more formal processes and systems. According to Bridgestar Regional Director of Talent and Recruiting Karen DeMay, one senior team member she worked with to hire a first director of strategy voiced this concern by asking her, “Is this new person we’re hiring going to make more work for us?” The plan was to have the new director of strategy begin by asking senior managers to think about and report on how they gathered information and made decisions so that these processes could be improved. Initially, the existing managers worried that the new person would come in and create a lot of busy-work for other managers, but DeMay reported that in the process of interviewing candidates, they came to understand what benefits the new position would bring and overcame their reservations.

Making the case

As with any important strategic decision, when thinking about creating a senior management position, an organization must manage the specific tradeoffs it faces and make its own decision about when the time is right. The organization may also need to prioritize which of several needed positions to add first.

For each of these decisions, it is critical that the key decision makers within the organization reach a consensus about this course of action. As obvious as that sounds, many organizations don’t realize how divided they are until their recruiting process begins to break down. At another organization where the ED initiated a search for a director of strategy, the program directors not only felt the new position would decrease their access to the ED, but also felt that it couldn’t be successful as the ED had structured it. Apparently their doubts came across to candidates in the interview process, which was one of several factors that impeded the organization's ability to fill the position, and ultimately the search ended without a hire. While this is an extreme case, it is important to make sure before undertaking a search that the key leaders not only agree on the need to create the position, but that they have a shared understanding of what the new role will be and how that role fits into the existing structure.

Making the case to key external stakeholders, including board members and funders, is another important step in the process. Terry Kellogg, ED of 1% for the Planet, an organization founded in 2002, said that at one point, he had to convince his organization’s board and a key funder to add several new senior positions. Kellogg said that growing public recognition of the need to invest in environmental sustainability presented his organization with a tremendous opportunity to make an impact. But he had to convince the stakeholders that the opportunity would be lost if the organization did not have the right team in place. “If we want to play a key role,” he argued, “we need to be a major player and that’s going to require significant expertise and seniority.”

Kellogg said he made his case by dispelling some commonly held beliefs about what it takes for nonprofit organizations to be successful: “If you look at successful startup companies, the vast majority of them have senior management teams at the outset. That’s how they get the work done that needs to get done quickly and in a

sophisticated way, even from the very beginning. I think it's unfortunate that the same is not necessarily the case with nonprofits.”

When some board members pointed to what they saw as comparable organizations that had been successful without multiple senior leaders, Kellogg pushed back on some of the assumptions they had made about what organizations were actually comparable and whether the organizations in question had truly been successful. The board had a constructive conversation about these issues, and in the end, it approved the creation of the additional positions, and Kellogg received the foundation support he sought.

Another way to persuade decision-makers that a new hire is worth the money is to try to make the benefits of the new hire as concrete as the costs, including translating those benefits into quantitative terms when possible. Needs and benefits that are very tangible for senior staff may be less so for funders and board members, so the more that can be done to make the implications real to them, the more persuasive they are likely to find the request. If a new senior position is expected to free up 20 percent of the ED's time for fundraising, the organization may be able to change its fundraising expectations accordingly. By the same token, if an organization's strategic plan calls for programmatic growth of 60 percent over a three-year period, it would be reasonable for the organization to add a director of programs—which might constitute 20 percent growth in the senior team—in the six to 12 months preceding that period.

While making the financial case for a new senior hire can be extremely challenging, some organizations said that overcoming the cultural impediments to such a hire can be equally demanding. In recalling hiring the first CFO for Rubicon Programs in 2002, Rubicon President and Executive Director Rick Aubry said, “Within the accounting department, staff questioned why we needed a CFO as opposed to hiring more bookkeepers to lighten their load. To [the first CFO's] credit, she worked really hard and was very hands on. She was a good teacher and very quickly was able to both establish a personal rapport with staff and demonstrate how valuable she could be to the organization.”

In conclusion

Most organizations reach a point in their growth when adding to their senior management team makes sense. But adding to the senior management ranks is no easy feat—convincing stakeholders to spend significant money and perhaps to insert a new layer of management is a challenge. Organizations need to recognize the challenges inherent in adding a new senior leader and think through strategies for addressing these challenges. Such preparation will smooth the process of adding the new role. Equally importantly, it will help ensure the success of the next step in the growth process: finding the right leader to fill the new position.

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