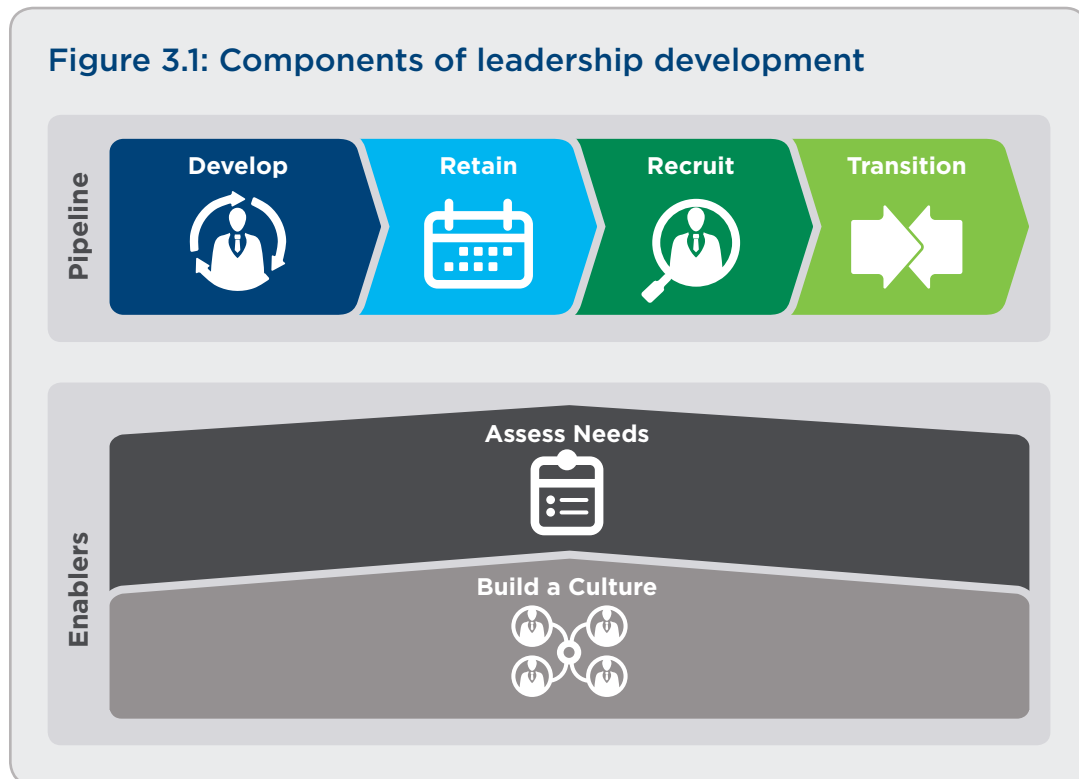# Section III: Where Leadership Development Breaks Apart

Helping leaders succeed is not a one-time undertaking. NGOs must continually address all six leadership development components if they are to build leadership teams that can dramatically advance their missions (see Figure 3.1).

Figure 3.1: Components of leadership development

Pipeline

Develop • Retain • Recruit • Transition

Enablers

Assess Needs

Build a Culture

However, gaps show up across these components:

- The **enablers** of building the culture and assessing leadership needs—the foundational components—are largely missing in most NGOs.

- The **pipeline components**—developing, retaining, recruiting, and transitioning leaders—are present in varying degrees. But NGOs face significant challenges in executing them.

PART I: Gaps in the Enablers

NGOs do not promote a leadership *culture*

- NGOs focus largely on developing and executing programs, with little emphasis on creating a culture that embraces developing leaders.

- This oversight appears to stem from a lack of awareness of what comprises leadership development and how it can help organizations enhance their impact.

Effective leadership development rests on a cultural foundation that embraces continuous learning and nurturing of talent. However, few NGOs exhibit such a culture.

"There is very little investment in leadership development for institution building, as most investments are focused on program work," observes Pervin Varma, the former CEO of Child Rights and You (CRY), which works to restore the rights of underprivileged children. Funders help drive this emphasis on programs. The vast majority favors tangible, constituent-related outcomes, as opposed to building strong organizations, processes, and systems for the long term. At the same time, NGO leaders undercut themselves when they do not allocate time and resources for helping others grow their skills.

"Most leaders do not strive to develop leaders," says Megha Jain, an associate director at Dasra, a strategic philanthropy foundation that drives social change through partnerships with funders and NGOs. "Many acknowledge [the need] when pointed out, but do not think about it as a primary part of their job or prioritize it against other urgent day-to-day deliverables."

Creating a culture that nurtures leadership development requires a shared understanding of what such a culture looks like, in terms of the organization's values, norms, and activities. Equally important, it requires that people agree on the qualities that shape a successful leader, as well as factors that constitute effective leadership development.

Unfortunately, many organizations have different perspectives—or in some cases, none at all—on what it takes to create a thriving leadership development culture. Several NGO leaders struggle to articulate it. They associate "development" primarily with training programs and sending leaders to conferences. Many erroneously assume that leadership development is too costly (see Section IV). Overall, most leaders do not see the strong link between investment in leadership and an organization's capacity for impact.

NGOs rarely *assess* leadership needs

- Many NGOs do not assess their leadership needs on a regular basis, especially in the context of meeting future challenges and seizing opportunities.
- NGOs experience an increase in leadership needs as the organization grows, especially when they reach 50 or more full-time employees.

To effectively invest in its leaders, an NGO should first assess its needs. That means articulating what it seeks to accomplish in the next few years and identifying the leadership capabilities and skills required to realize that vision. Only then can the organization measure its leaders' performance and future potential. In other words, when an NGO has a clear line of sight into its needs for senior talent, it can effectively plan to fill them.

However, few NGOs regularly assess leadership competencies, even those known to have a relatively advanced approach to leadership development. When asked how often they conduct such assessments, 50 percent of all NGOs, across all sizes, said they do not formally assess their leadership needs on a regular basis, including 22 percent who do not assess their leadership needs *at all* (see Figure 3.2).

Figure 3.2: NGOs with 51-100 full-time employees assess their leadership needs most frequently

Leaders at organizations of different sizes had to select how often their organizations formally assess their leadership needs (*n=203*)
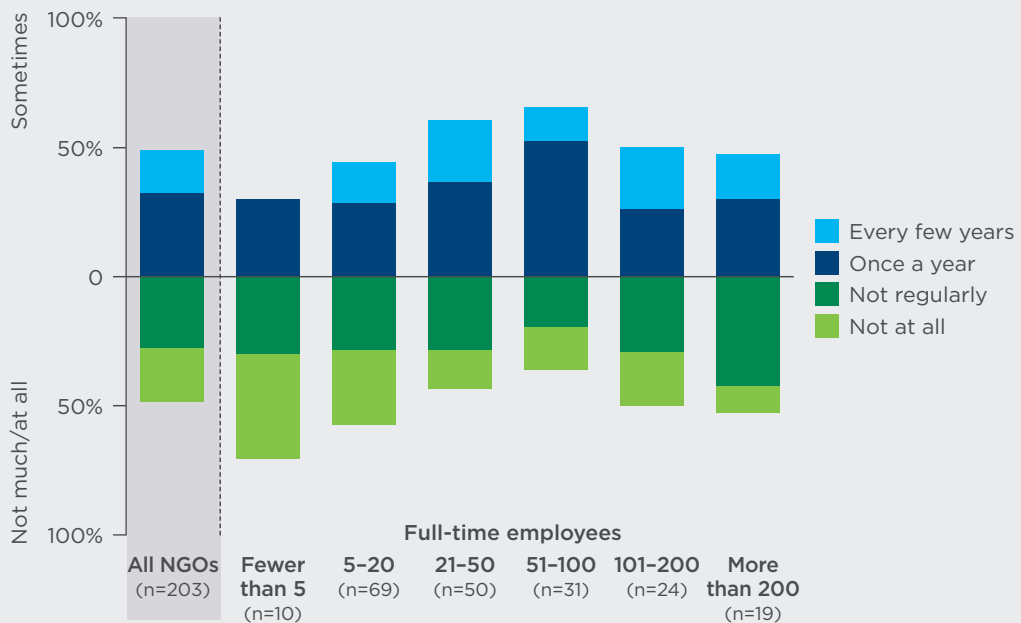
Note: Sample sizes for some categories are small, so results should be viewed as directional.

The likelihood that an NGO conducts these forward-looking assessments varies by size. Organizations that have 51 to 100 full-time employees assess their needs most frequently, with over half of them doing so every year. A plausible reason: as NGOs grow to more than 50 employees, they reach an inflection point where current leadership (often a single executive) realizes that a failure to identify its leadership capacities may limit the organization's ability to succeed.

PART II: Gaps in the Pipeline

NGOs struggle across the four pipeline components

- While NGOs encounter "pain points" across the four components, they struggle most with recruiting and transitioning leaders.
- These challenges are most acute when NGOs reach more than 50 full-time employees, when their confidence wanes across all four components.

Overall, NGOs admit they are ill-prepared to develop, retain, recruit, and transition leaders. Excluding retention (which is the smallest challenge, according to the survey results), fewer than 50 percent report that their organizations are capable of performing the leadership pipeline activities (see Figure 3.3). Even these numbers appear to be inflated. During interviews and follow-up survey questions, NGO leaders revealed deep concerns regarding these activities, suggesting that the survey response might reflect overoptimism or a lack of understanding of what "highly capable" implies.

Figure 3.3: NGOs struggle across the leadership development pipeline, especially in recruiting senior leaders

Leaders rated how capable their organization is across the four leadership pipeline components on a scale of 1 to 5 (*n=203*)

| Average rating	Developing	Retaining	Recruiting	Transitioning
	3.31	3.73	2.78	3.15
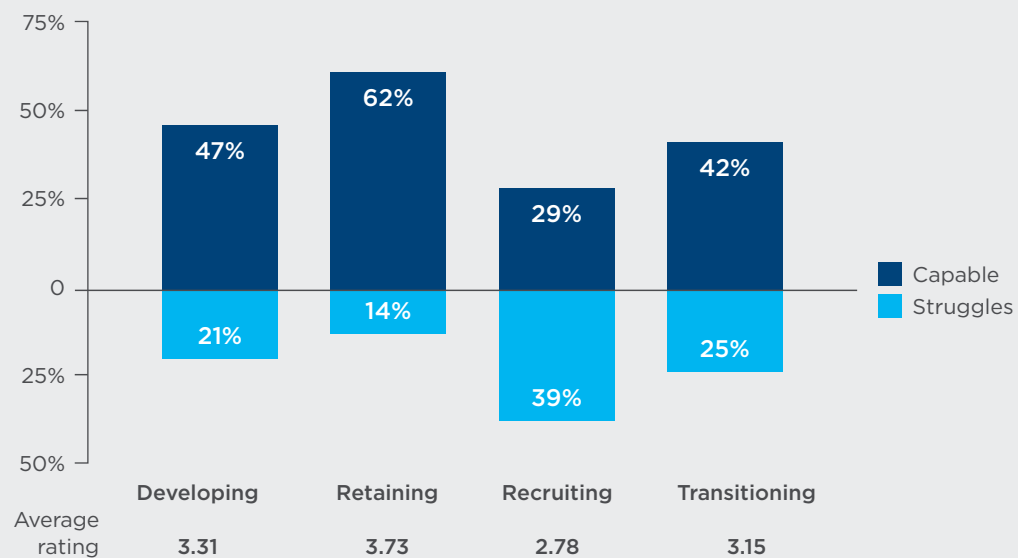
Note: Ratings of 4 and 5 have been combined as a "Capable" rating, while ratings of 1 and 2 have been combined as a "Struggles" rating. Neutral ratings (3) have been excluded, so bars do not total 100%.

The NGOs' confidence in their leadership development abilities varies significantly by pipeline activity. The most acute challenge is recruiting—almost 40 percent of NGOs say they struggle to attract and enlist senior leaders. Their next biggest challenges are transitioning and developing leaders. NGOs show more confidence in their ability to retain leaders, although 14 percent do report grappling with retention.

We found that international NGOs (INGOs) operating in India have somewhat stronger leadership development capabilities. These organizations have access to global best practices, networks of support, and relatively more resources. In our survey, India office leaders of INGOs generally rate themselves higher than leaders of Indian NGOs at developing, transitioning, and in particular, recruiting leaders (see Figure 3.4).

Figure 3.4: International NGOs feel relatively stronger than Indian NGOs across the leadership pipeline

Leaders rated how capable their organizations are across the four leadership pipeline components on a scale of 1 to 5 (*n: Indian NGOs = 203, INGOs = 41*)
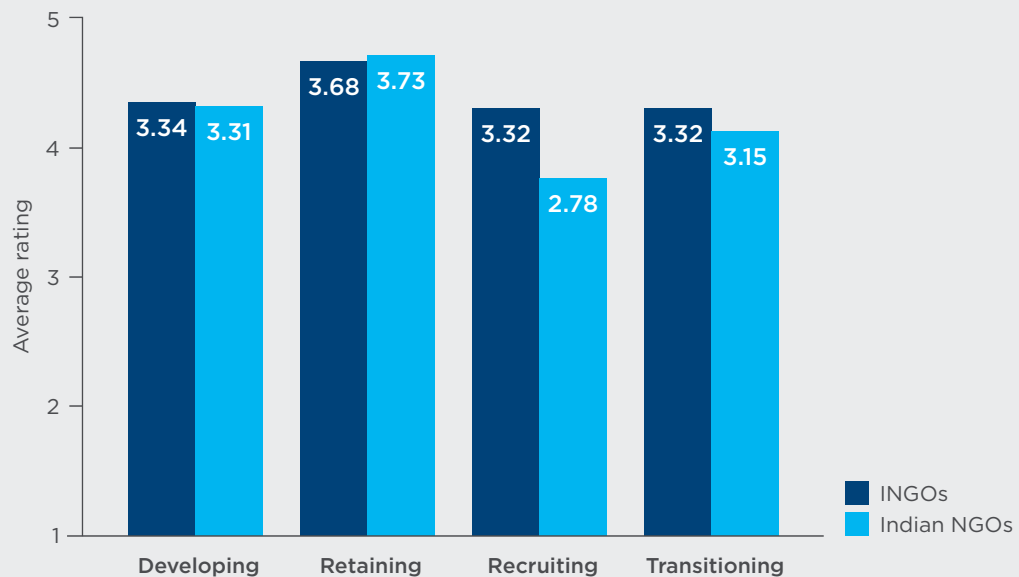
The severity of challenges across the leadership pipeline appears to vary according to the NGO's staff size, hitting an inflection point at 50 or more employees, similar to the inflection point around needs assessment. This inflection—when leaders' confidence wanes across all four pipeline components—may indicate "growing pains," where NGOs recognize that they can no longer rely on one leader and must create a stronger senior team.

As NGOs grow beyond 100 full-time employees, they seem to build their leadership development capacity. Their confidence in their ability to develop, retain, recruit, and transition leaders starts to increase again (see Figure 3.5).

Figure 3.5: Confidence wanes across the leadership pipeline as NGOs grow beyond 50 full-time employees, before rising again as organizations grow further

Leaders at organizations of different sizes rated how capable their organizations are across the four leadership pipeline components on a scale of 1 to 5 (*n=203*)

Full-time employees
- More than 200
- 101–200
- 51–100
- 21–50
- 5–20
- Fewer than 5

Note: Sample sizes for some categories are small, so results should be viewed as directional.

To better understand these trends, we analyzed each pipeline component.

NGOs do not invest in *developing* leaders

- NGOs often have not defined senior roles clearly, do not conduct even basic performance assessments and monitoring, and provide limited development opportunities to their leaders.

- Primarily due to lack of resources and low prioritization, NGOs fail to create processes for developing leaders.

Since NGOs find recruiting leaders to be their biggest challenge, it would follow that they should invest time and resources in developing leaders from within the organization. Building "homegrown leaders" requires NGOs to track and assess the performances of second-line executives and managers, provide constructive feedback, and deliver learning opportunities that are tailored to individual development needs. Leadership development works best when these tasks are woven into systematic processes, which build a culture of continuous learning and improvement.

Despite the importance, more than half of the surveyed NGOs do not believe that their organizations are capable of developing effective leaders, for the following reasons.

NGOs often lack systems to monitor performance

"Before designing programs, developing the culture and performance-management systems around learning is crucial," advises Aditya Natraj, CEO at Kaivalya Education Foundation, which seeks to transform the quality of public education through school and youth leadership. A strong performance-management system has clearly defined roles and objectives, as well as regular performance assessments, and provides candid feedback on individuals' strengths and areas for improvement.

Such systems are common in corporations, but are rare among Indian NGOs. As Figure 3.6 illustrates, only 54 percent of the surveyed NGOs have defined the roles and objectives for their senior positions; fewer than 40 percent monitor senior leaders' performance, and only 27 percent assess leadership potential. Without delineating roles and monitoring performance, leaders do not have the opportunity to identify and address any competency gaps.

Figure 3.6: Most NGOs lack systems and processes to track leadership performance and provide structured feedback

Leaders had to select all the processes they had in place to assess and monitor performance/skill sets of senior leadership (*n=203*)
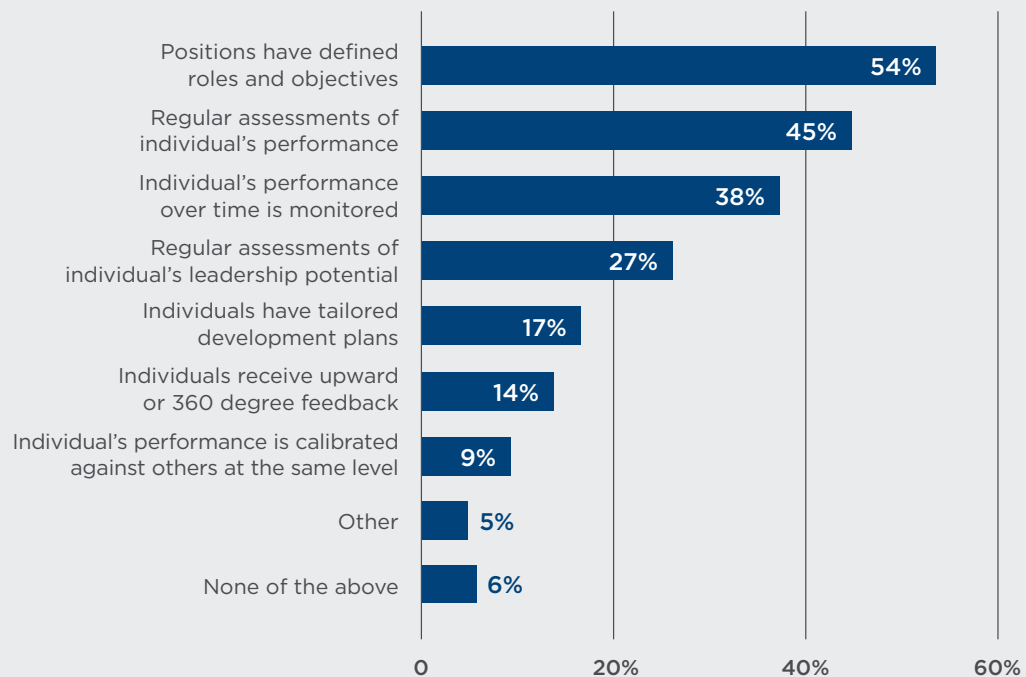
Note: "Other" includes continuous communication and feedback sessions, and non-periodic assessments, among others.

"We are used to doing [semiannual] and annual appraisals," says Srikanth Viswanathan, chief executive of the Janaagraha Centre for Citizenship and Democracy, which seeks to improve the quality of life in urban India. "We also have had structured learning programs for our senior management, led by our founders. But going forward, we wish to do better on evaluating the staff's potential, creating career plans, and investing in a systematic learning and development plan."

Viswanathan's admission echoes a concern we heard in other interviews: when NGOs lack systems for regularly assessing performance, leaders do not receive valuable feedback to reach their full potential and grow into more senior roles.

Few organizations provide opportunities for promising leaders to grow
After NGOs identify areas where leaders can improve, the next step is to provide them with a range of growth opportunities.

Many NGOs say they provide senior leaders with at least some kind of support for growing their skills, often in the form of on-the-job stretch opportunities. These can be very effective, as they provide growth opportunities in real-world settings. Stretch opportunities are also inexpensive and relatively easy to provide. Yet, only 44 percent of the surveyed organizations offer them (see Figure 3.7).

Figure 3.7: NGOs most often provide informal development opportunities to their leaders

Leaders had to select all development opportunities that were regularly offered by their NGOs (*n=203*)

Conferences/seminars/workshops	59%
Informal coaching and mentoring by internal leaders	54%
Explicit on-the-job stretch opportunities	44%
Functional or skill-specific training	34%
External leadership programs (formal program organized by external party)	30%
Internal leadership programs	26%
Peer learning groups with other orgs/leaders of other orgs	21%
Formal coaching and mentoring by internal leaders	17%
Formal coaching and mentoring by external advisers	17%
Other	1%
None	4%

Note: 'Other' includes internal training on organizational issues.

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The same holds true for coaching and mentoring. This well-known, valuable aspect of development can reinforce on-the-job learning, yet just 54 percent of NGOs provide informal coaching or mentoring opportunities. Formal versions are even less common, offered by less than 20 percent of NGOs.

What is more, only about 30 percent of NGOs provide structured opportunities for coursework and classroom training, such as functional or skill-specific trainings or leadership programs. Instead, NGOs are more likely to provide one-time offerings such as conferences, seminars or workshops, and skill-specific trainings.

"Most of [leadership development] is training on the job," says Niranjan Saggurti, director of the Population Council in India, which conducts research to address critical health and development issues. "I have had trainings on work that my NGO does, but not much on leadership thus far. We have very limited trainings for leadership development, and limited funding for it as well. There is a need for a structured process."

Developing leaders is not a high priority

NGOs cite three fundamental challenges around institutionalizing formal processes for assessing and developing leaders:

1. **Inadequate resources**
   Fifty-three percent of the surveyed NGOs say they lack sufficient resources to allocate for leadership development. That is hardly surprising, given that many NGOs are constrained financially. They mostly depend on donors, whose grants are often restricted to programs. "Administrative" or "capacity-building activities" like leadership development are almost always out of scope.
   "Most of the leadership pipeline development is on the back of dedicated funding," says Hisham Mundol, executive director of child protection at the Children's Investment Fund Foundation (CIFF). "Otherwise, NGOs do not have the money to even think about focusing on this."

2. **Lack of prioritization of time and resources**
   Although they recognize that high-performing leaders drive success, both funders and NGOs hardly invest in developing leaders. About 28 percent of NGOs concede that one of their top challenges is prioritizing their time and resources for this purpose (see Figure 3.8). This level of underinvestment even holds true among NGOs with total annual operating budgets of more than INR 50 crores (or approximately $7.5 million).[7]

3. **Absence of processes to develop leaders**
   Many NGOs lack processes for systematic talent development. In fact, 23 percent of NGOs surveyed rate this among their top two barriers to building effective leaders. Somewhat counterintuitively, the larger organizations—which one might expect to have more evolved talent development processes—cited this challenge more frequently.

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7   Conversions to US dollars throughout the report are based on the exchange rate of 65 INR = 1 USD, as of July 2017.

Figure 3.8: Lack of resources and low prioritization are the most common challenges in developing leaders

Leaders could select up to two challenges that their organization experiences the most when it comes to developing leaders (*n=203*)

Challenge	Percent
We do not have the resources to allocate to leadership development	53%
We have not prioritized our time or resources to leadership development	28%
We do not have the talent processes in place to effectively develop our leadership	23%
We do not have access to external trainings and opportunities for leaders to take part in	18%
Other	2%
Developing senior leaders is not a challenge for our organization	13%

Note: "Other" included entries like lack of motivation on the individual level or lack of proper delegation.

NGOs often *retain* valued leaders, but challenges persist

- Indian NGOs are relatively confident in their ability to retain senior leaders, as evidenced by the long tenures of many of their current leaders.

- Nonetheless, retaining valued leaders is still challenging, particularly around compensation, workload, and the cost of replacing talent.

Some level of attrition is natural in any organization. However, given the challenges of recruiting and developing strong senior leaders, NGOs should do all they can to hold on to high performers.

Fortunately, NGOs report that retaining valued senior talent is the least challenging component of leadership development. About 60 percent of NGOs say they are capable of effectively retaining senior leaders; only 14 percent report that they struggle (the rest are neutral).

When asked about the last two senior leaders to leave the organization, 34 percent of the NGOs report that not a single senior leader had moved on. Another 11 percent say that just one senior leader had left the organization.

Says Partha Pratim Rudra, director of programme and programme development at Smile Foundation, which uses a lifecycle approach to improve the lives of underprivileged children and their families: "At the senior and mid-management level, retention is quite good. There is this sense of a deeply shared vision and camaraderie."

Long-term retention is quite common: half of survey respondents have been in their current roles for more than a decade. This is in sharp contrast with the United States, where retaining senior leaders is a significant challenge. In a 2015 Bridgespan survey of 438 nonprofit C-suite executives, one-third of the respondents said that they intended to leave their organizations within the next two years.[8]

However, lengthy tenures may not always be a positive, especially when veteran leaders and founders find it difficult to "let go" and consequently fail to develop the second line.

Furthermore, when NGO leaders *do* leave, they most often move to other Indian NGOs. They rarely exit the social sector, which implies opportunities for NGOs to prevent attrition by providing a better work experience and career growth opportunities. In addition, many respondents note that retaining junior employees is a challenge. This suggests that investing in retention would also help build a pipeline of future leaders.

Given the challenges and costs of recruitment, every NGO has reason to be proactive. In addition, productivity can slow and fundraising may suffer when leaders leave. One US study pegged the total cost of replacing a star performer in a nonprofit's senior development role at nine times her annual salary.[9]

Survey respondents identified three common challenges related to retaining senior leaders (see Figure 3.9):

1. **NGOs need to offer higher compensation**, as mentioned by half of those surveyed. "The expectation is that employees should receive their compensation in [psychic income]," says Hisham Mundol of CIFF. However, fulfilling work and a passion for the mission often are not enough to hold on to top talent.

2. **Leaders are often overstretched**, as reported by about 25 percent of those surveyed. NGOs struggle to ensure that leaders work at a sustainable pace. When leaders are the "go-to" people on multiple issues, they can suffer burn out.

3. **People want better career development opportunities**—22 percent cite this challenge. Most individuals want to have clearly defined career paths, as well as the opportunity to grow within the organization. Yet meeting this need can be challenging for structural reasons: leadership positions are limited in small organizations and senior leaders frequently remain in roles for long periods.

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8   Libbie Landles-Cobb, Kirk Kramer, and Katie Smith Milway, "The Nonprofit Leadership Development Deficit," *Stanford Social Innovation Review*, October 22, 2015, https://ssir.org/articles/entry/the_nonprofit_leadership_development_deficit.

9   Penelope Burk, *Donor-Centered Leadership*, (Chicago, IL: Cygnus Applied Research, 2013).

Figure 3.9: Demand for better compensation packages is the primary challenge NGOs face in retaining leaders

Leaders could select up to two challenges that their organization experiences the most when it comes to retaining leaders (*n=203*)

Challenge	Percentage
Need/want higher compensation packages	50%
Overstretched/have too much workload	24%
Need/want greater career development/ promotion opportunities	22%
Need/want greater learning and personal growth opportunities	15%
Expect a different culture/work environment	8%
Do not have the autonomy/ ownership they desire	6%
No longer want to work in the NGO sector	5%
Other	2%
Not a challenge for our organization	18%

Note: "Other" included entries like people leaving for studying, lack of self motivation, or wanting to join bigger organizations.

Time limits for program funding can also adversely affect retention. "Sometimes NGOs have to depend on project-based funding, which creates a catch-22 situation," says Aparajita Gogoi, executive director at the Centre for Catalyzing Change. "A project-to-project cycle may mean that the NGO hires and invests in an entirely new set of people for a new project, say for five years. But after the project, they leave, and the NGO would need to start from scratch to hire and then develop leaders."

NGOs struggle to *recruit* leaders

- NGOs find it hardest to recruit senior leaders, due to low compensation packages, lack of internal resources, and a limited talent pool. The recruiting challenge falls hardest on NGOs with 50 or more full-time employees, who find it especially difficult to bring in people with the right skills and expertise.

- Senior leaders are generally recruited externally, which is more costly than developing and promoting leaders from within the organization.

Less than 30 percent of NGOs believe they are adept at recruiting high quality leaders; approximately 40 percent concede that they "struggle" with it (see Figure 3.3 on page 20). In fact, at the time of the survey, more than 40 percent of NGOs had at least one vacant senior leadership position; 23 percent had more than one vacancy. As former CRY CEO Pervin Varma observed, if funding for leadership was no constraint, NGOs would spend more on "recruitment: getting the right people with appropriate skills as well as the heart and perspective necessary for our work."

NGOs cite three main challenges in recruiting senior leaders (see Figure 3.10):

1. **NGOs do not offer competitive compensation**. Most join social sector organizations because they want to take on a dire social challenge. That said, compensation is still a factor for attracting skilled and experienced leaders (as it is with retaining them).

   "Some NGOs essentially say, 'If they are interested in money, they are not for us,'" observes Narayan Krishnaswamy, director of HR for Azim Premji Philanthropic Initiatives. "It is as though if you want money, by default, you are disqualified from getting the job."

2. **NGOs lack resources.** Finding the *right* leadership talent for a senior position is not easy; multiple stakeholders must often invest considerable time and effort into the undertaking. A few NGOs described multistage processes for assessing candidates—an effort that involves HR, the board of directors, and senior leadership. Another NGO cited a need for executive recruiters.

   In the for-profit sector, this is the norm. But most NGOs neither have dedicated HR staff nor invest in formal initiatives to recruit and assess promising candidates. Only about 5 percent of surveyed NGOs have received specific funding to support their recruiting efforts.

3. **They cannot attract enough people with suitable skills**. The talent shortage is not unique to the social sector. According to a 2016 ManpowerGroup survey of for-profit organizations, 48 percent of Indian employers say they face a talent shortage[10] (compared to 40 percent globally).

   The challenge is much greater for NGOs, who need leaders with a wide range of attributes and abilities: passion for creating social impact, prior leadership experience, technical skill sets, and, most importantly, general management, communication, fundraising, and other organization-building skills. This combination is in short supply, even as private sector leaders increasingly migrate to the social sector.
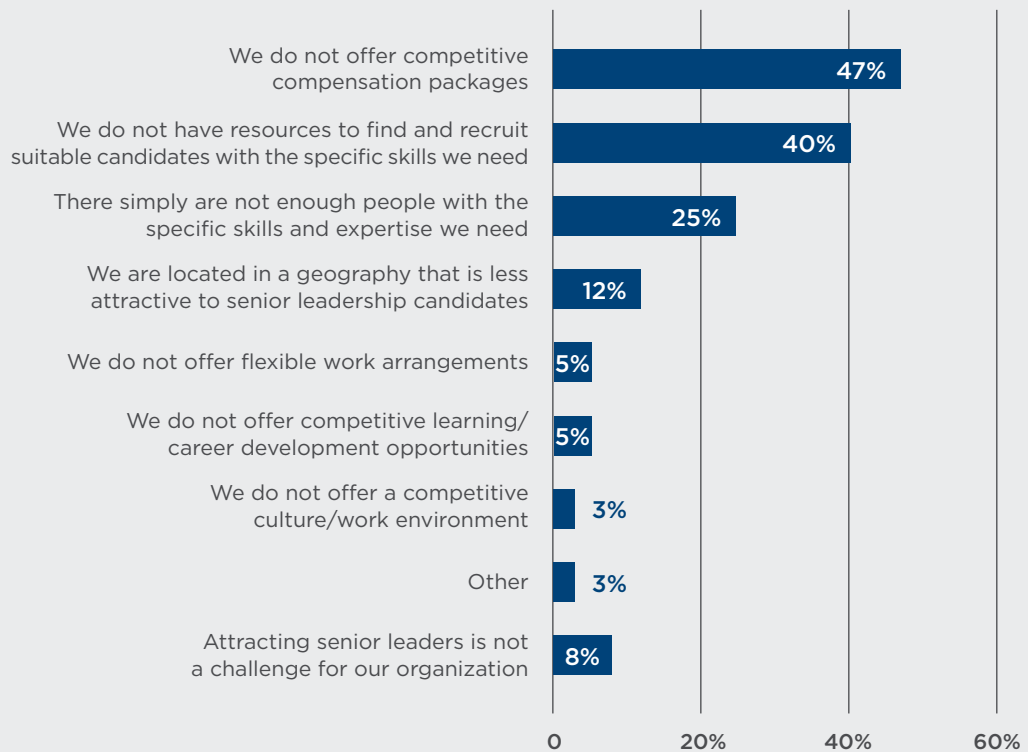
   "The number of people with the required experience in India is limited," says Niranjan Saggurti from the Population Council. "There is a limited pool of people, and a lot of organizations competing for them."

   Survey data corroborates Saggurti's observation, highlighting that senior NGO leaders typically move to another Indian NGO. Instead of expanding the talent pool, NGOs seem to be recycling it.

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10 "2016-2017 Talent Shortage Survey," ManpowerGroup, http://manpowergroup.com/talent-shortage-2016.

Figure 3.10: Lack of competitive compensation packages and limited resources to recruit candidates are the most common challenges NGOs face in recruiting senior leaders

Leaders could select up to two challenges that their organization experiences the most when it comes to recruiting leaders (*n=203*)
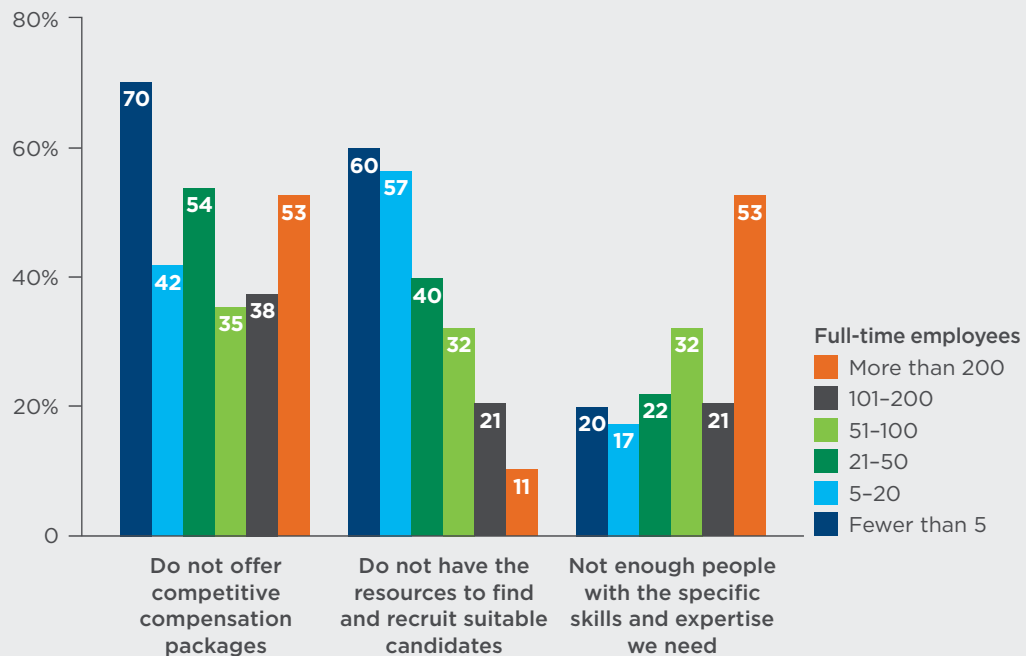
Challenge	Percentage
We do not offer competitive compensation packages	47%
We do not have resources to find and recruit suitable candidates with the specific skills we need	40%
There simply are not enough people with the specific skills and expertise we need	25%
We are located in a geography that is less attractive to senior leadership candidates	12%
We do not offer flexible work arrangements	5%
We do not offer competitive learning/ career development opportunities	5%
We do not offer a competitive culture/work environment	3%
Other	3%
Attracting senior leaders is not a challenge for our organization	8%

Note: 'Other' includes difficulty in finding volunteers for senior leadership positions, among others.

Though consistent across NGOs, the nature of the recruiting challenge varies by NGO size. "The smaller ones have resource constraints, lacking different teams for different organization functions like recruiting," says Farhad Merchant, chief executive of Common Purpose India, which runs leadership development programs. "For medium or large NGOs, getting the *right people* remains the primary challenge."

Our survey results generally corroborate Merchant's view. For organizations with 50 or fewer full-time employees, the most significant challenges appear to be competing on compensation and allocating the resources to recruit. For NGOs with more than 200 employees, it seems the bigger challenge is finding leaders with suitable experience and skills (see Figure 3.11).

Figure 3.11: In recruiting, smaller NGOs face greater resource challenges, whereas larger NGOs have greater challenges finding candidates with the required skills and expertise

Leaders at organizations of different sizes could select one or two challenges that their organizations experience the most when it comes to recruiting leaders (*n=203*)

Full-time employees
- More than 200
- 101–200
- 51–100
- 21–50
- 5–20
- Fewer than 5

Do not offer competitive compensation packages: 70, 42, 54, 35, 38, 53

Do not have the resources to find and recruit suitable candidates: 60, 57, 40, 32, 21, 11

Not enough people with the specific skills and expertise we need: 20, 17, 22, 32, 21, 53

Note: Sample sizes for some categories are small, so results should be viewed as directional.

NGOs most often recruit external candidates, which is costly

When asked about previous roles for their senior leaders, just 39 percent of those surveyed cite internal promotions. The most common sources for leadership talent are other NGOs (mostly Indian NGOs), as discussed, and the for-profit sector (see Figure 3.12). Only about 20 percent of the surveyed NGO leaders held prior roles in their organization.

"In India, most organizations bring in people from outside, instead of grooming them internally," says Lisa Mikkelsen, senior manager of human capital at Omidyar Network. This trend is not exclusive to the NGO sector. Notably, Indian IT companies are increasingly picking outsiders for senior positions. According to *The Economic Times*, three of India's top five IT giants—Infosys, Wipro, and Tech Mahindra—have gone outside, reflecting a broader industry trend.[11]

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11   Anirban Sen, "As Indian IT sector faces leadership crisis, top firms opt for outsider CEOs," *The Economic Times*, January 7, 2016, http://economictimes.indiatimes.com/news/company/corporate-trends/as-indian-it-sector-faces-leadership-crisis-top-firms-opt-for-outsider-ceos/articleshow/50475994.cms.

Figure 3.12: Less than 40 percent of leaders see their own NGO as a common source for recruiting senior leaders

Leaders could select up to the three most common sources where the senior leaders of their organizations were recruited from (*n=203*)

Source	Percentage
In an Indian NGO	46%
In our organization	39%
In a for-profit	31%
In an international NGO	14%
Acting as an independent consultant	10%
In an academic/research org	9%
In a government organization	9%
In a philanthropic institution	5%
Had not been in paid work	5%
Other	1%

Note: 'Other' includes "identifying community leaders" and "theater artist."

This does not come cheaply. According to a 2015 Bridgespan study of US NGOs, "The transaction costs alone of finding and attracting a new employee, particularly at the senior level, can be as high as half of her annual salary."[12] US-based research in the for-profit sector also puts the time it takes for an external hire to become productive as twice as long as for someone hired from within.[13]

Moreover, leaders hired externally are more likely to fail. In fact, for-profit research suggests that out of all the executives who are hired externally each year, "nearly half fail within the first 18 months," causing a significant drain on organizational resources and productivity.[14] The failure rate might be even more pronounced in the nonprofit sector. In interviews, NGO leaders asserted that it is especially challenging for an external recruit to fill a new role and adjust to an unfamiliar culture. An effective onboarding process requires time and commitment, which not all NGOs can provide or afford.

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12 Landles-Cobb et al., "The Nonprofit Leadership Development Deficit."
13 Jean Martin, "For Senior Leaders, Fit Matters More than Skill," *Harvard Business Review*, January 17, 2014, https://hbr.org/2014/01/for-senior-leaders-fit-matters-more-than-skill.
14 Ibid.

External recruiting can be even more challenging when NGOs recruit leaders from the private sector, which is becoming increasingly prevalent. Approximately 25 percent of the senior leaders we surveyed worked at for-profit companies (including start-ups) immediately prior to their current NGO role. And more than 30 percent of NGOs identified for-profits as one of the primary sources for senior talent.

Although senior corporate executives typically possess a valuable set of skills and management experience, "most find it difficult to acclimatize to the social sector," says Dr. Nair of Phicus Social Solutions.

CV Madhukar of the Omidyar Network adds a further cautionary note: "NGOs need to be more careful while hiring from the private sector, to see whether people are capable of handling the chaos of the nonprofit sector."

NGOs are unprepared for *transitions*

- After recruiting, NGOs struggle most with succession; a majority of NGOs lack succession plans.
- Many top senior leaders, especially founders, find it difficult to "let go"; they report that building a second line of capable leaders is challenging.

Every NGO will need new senior leadership at some point, whether to transition from the founder or bring on a new head of programs. While NGOs must minimize any adverse effects of a leader's departure, leadership transitions can also provide benefits: career development assignments that retain high-performers, as well as opportunities to bring in leaders with the right skill sets to meet the organization's changing needs.

Second to recruiting, NGOs say they are most concerned with transitioning leaders. Only about 40 percent of NGO leaders say they are capable of effectively replacing their senior leaders; 25 percent say they struggle. "Selection of a successor is a huge hurdle—just identifying someone who can do the job," says Naghma Mulla, chief operating officer of EdelGive Foundation, the strategic philanthropic arm of Edelweiss Financial Services, which aims to bring for-profit capacity and capital to nonprofits. "Then, even with a second line, the actual act of letting go of some activities, letting go of control, is very difficult."

Succession planning involves identifying and developing people with the talent and potential to step up. It can therefore facilitate a smooth leadership transition. Without it, leaders may not leave at the most optimal time, or they may depart unexpectedly, potentially resulting in a "headless" NGO.

Yet most organizations give little thought to succession planning. Half of respondents concede that they do not have succession plans for *any* of their senior leaders. In fact, more than 70 percent of NGOs lack a succession plan for their senior-most leader (see Figure 3.13).

Figure 3.13: Most NGOs do not have succession plans in place, including for their senior-most leader

Leaders had to select whether they had a succession plan for any of the given positions (including their own) (*n=203*)
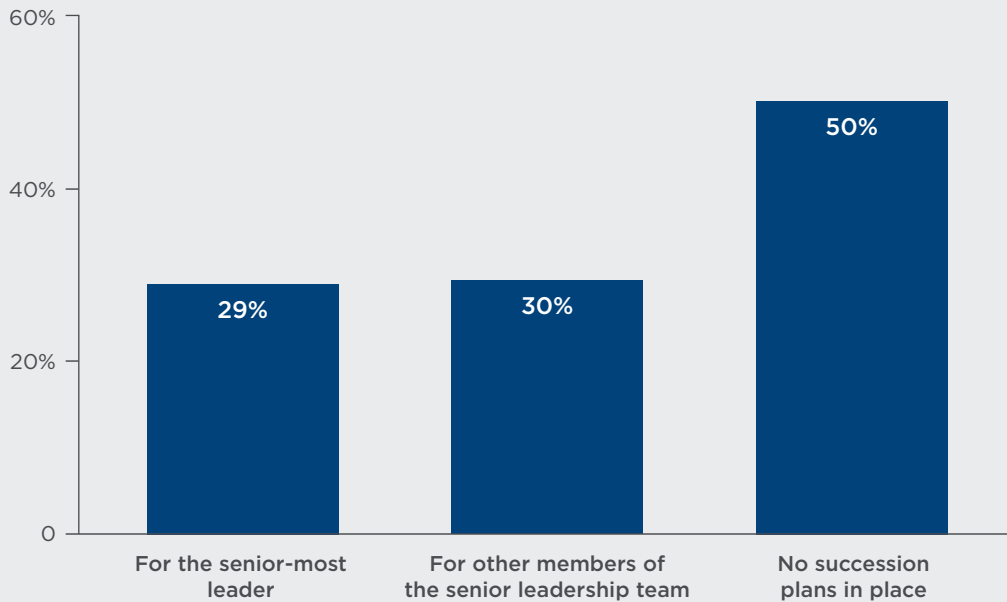
Note: Leaders could select "For the Chief Operating Office." Due to less applicability of this position, unique entries have been added to the overlapping category of "For other members of the senior leadership team."

External pressure can play a role in addressing this dearth. As Pervin Varma explains, "If funders and CSR organizations also ask questions about institution building and succession planning rather than just about program impact, then the conversation will change in the NGO sector."

Rajesh Singh, chief operating officer of WISH Foundation, which seeks to enhance primary healthcare for underserved populations, attributes the lack of succession planning partly to the "founder syndrome." He says, "There is an emotion as the organization grows that does not allow [founders] to let go." Vishal Talreja, the co-founder and chief executive of Dream a Dream, concurs: "I struggled with letting go, and trusting other people to do the work I was doing."

Founders continue to serve as the senior-most leader in 27 percent of NGOs that were launched more than 20 years ago. "For the founder, finding [someone in] the second line of leadership who is as passionate as he or she is, is a challenge," says Daniel Lobo of Leaders' Quest. "They find it difficult to diminish their role and involve more people in core leadership."

Yet founders who stay "too long" can jeopardize the health of the organization, particularly if the NGO has reached a level of complexity that has outgrown— or at least, no longer matches—the founder's skill set. "The overriding sense of

passion and ownership to remain at the forefront does not do justice to the cause and the organization," says Singh. "There needs to be a recognition that one, alone, cannot manage it."

Ramesh and Swati Ramanathan, co-founders of Janaagraha, came to a similar conclusion a few years into their leadership tenures, and began to transition to a more adaptive and expansive leadership model. (See the Case Study below.)

Case Study—Janaagraha: An Adaptive Leadership Model

Organization: Based in Bangalore, Janaagraha Centre for Citizenship and Democracy has a mission to improve the quality of citizenship and infrastructure in India's cities. The nonprofit, which has 115 full-time employees, seeks to achieve its goals through civic learning, civic participation, and "city-systems" reforms.

Strategies for Building Effective Leaders
Evolve leadership at the top. Over the course of its 16 years, Janaagraha has reinvented its leadership model to better confront emerging challenges. The model has undergone three major iterations:

- *Janaagraha 1.0:* Ramesh Ramanathan and Swati Ramanathan, who had high-flying careers in finance and urban planning and design respectively in the United States, returned to India and launched Janaagraha in 2001. Over the next four years, the founders did it all, from defining the organization's mission to taking on the minutiae of running a start-up.

- *Janaagraha 2.0:* By 2005, it became clear that Janaagraha would have to professionalize its operations in order to extend its reach. "The organization was in mission-mode and not organized in a formal structure," recalls Sapna Karim, the head of civic participation. "We were running with large numbers of volunteers and very few staff."

  Ramesh and Swati recruited private sector executives with deep experience in finance, IT, marketing, and other areas. The founders then installed a five-member "management committee" to helm the organization. The move pushed the second line to step up and take full responsibility for all of Janaagraha's operations, not just their individual portfolios.

- *Janaagraha 3.0:* Although the lead-by-committee model helped Janaagraha grow through its adolescence, decision making could not keep pace with the organization's expansion. "It was great to have collective ownership," says Sapna. "But there had to be a first among equals."

In 2016, the founders decided to augment the committee with a chief executive. One stipulation: the CEO had to come from within the organization. It would take too much time for an external recruit to learn how to navigate the complexities of Janaagraha's model. The senior leaders together selected Srikanth Viswanathan, coordinator of advocacy and reforms, to shepherd Janaagraha into the future.

Become a learning organization. Recognizing that learning is a path to leading, Janaagraha invested heavily in creating development opportunities for its team. This was during the management committee years, when the founders were stepping back from day-to-day operations and the management committee had to stretch its leadership skills and come together as a cohesive team.

Thus, Janaagraha engaged Aon Hewitt in a year-long effort to help it become a learning organization (as outlined in Peter Senge's book, *The Fifth Discipline*), with an emphasis on organizational design and leadership systems. The endeavor, which was led by the NGO's founders, involved focus groups, case studies, various assessment tools, and other activities that focused on assessing Janaagraha's current leadership team and designing for the future.

Impact & Next Steps: Janaagraha's senior leaders have seen the impact of their investments to date, in the form of increased ownership and mission alignment. CEO Viswanathan wants to institutionalize learning and development practices at all levels of the organization, especially in fundamentals like communication, systems thinking, collaborative leadership and decision making, and project management—skills that cannot be taken for granted in the social sector. He also looks forward to implementing a performance competency framework for the whole organization, which Janaagraha developed with the help of a senior executive volunteer from the Tata group. But given that people are working at 110 percent and resources are stretched, he concedes that "presently, we do not have sufficient bandwidth."

Part of the problem is that the vast majority of Janaagraha's funding goes to programs, with relatively less funding for building leadership capacity—an issue confronting many NGOs. Janaagraha therefore still has work to do to create sufficient bandwidth to scale leadership development to all levels of the organization.