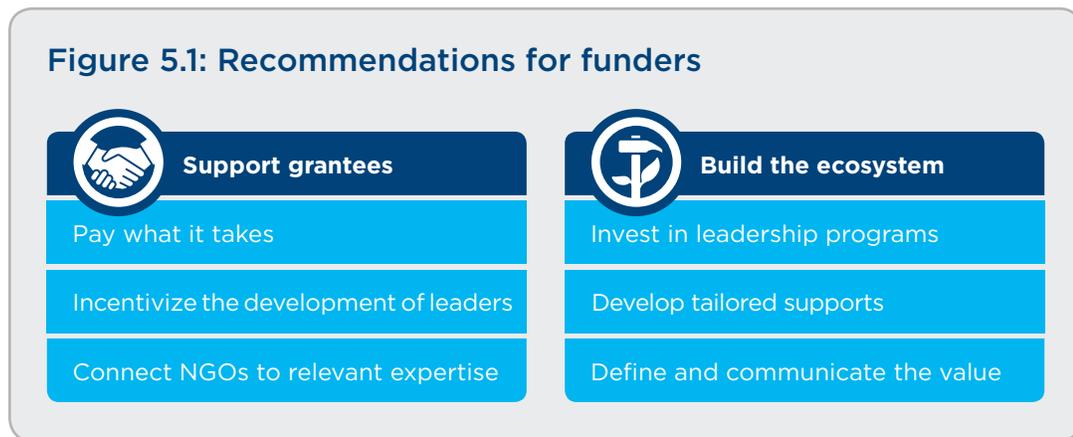


## Section V: How Philanthropy Can Help

Ultimately, NGO senior teams are responsible for developing their bench of leaders from within. But external resources, supports, and incentives can help them succeed. Funders,<sup>21</sup> in partnership with intermediaries, can perform two critical roles, as depicted in Figure 5.1:

- **Effectively support their grantees** in developing leaders
- **Build the social sector ecosystem** by investing in programs, supports, and narratives that incentivize NGOs to nurture leaders



While some funders and intermediaries are pioneering these roles, much more needs to be done. The sections below detail our recommendations and opportunities for action. A caveat: we provide examples to illustrate how these could work in practice but have not evaluated the results of the example organizations or initiatives.

### Funders can support grantees

Funders are uniquely positioned to play a vital and influential role in NGO leadership development. Most importantly, funders can provide the necessary expertise and financial resources to help NGOs develop leaders.

#### I. Pay what it takes

Funders should ensure they provide NGOs with resources that truly contribute to impact. Those who focus on programs, and limit spending on “overhead” or indirect costs, actually limit NGOs’ capacity to build their leadership capabilities. And few would argue against the evidence that high-performing leaders increase the odds that an NGO will attain its goals and scale impact.

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<sup>21</sup> Funders include foundations, individual philanthropists, CSR agencies, and impact investors.

In other words, funders need to acknowledge the importance of organization building, particularly the systematic investing in developing NGO leaders. As Aparna Sanjay, executive director at Social Venture Partners India, concedes, “Even large grantmakers insist on funding only projects. We all need to make more strategic investments for organization building... such instances are very few and far between.”

**Reduce funding restricted to programs.** Fifty-three percent of surveyed NGOs report that they received *no* funding for leadership development in the past two years. We recognize, however, that there can be regulatory constraints around such funding (see the note on CSR limitations).

#### **CSR limitations**

A clause in the CSR law in the Indian Companies Act limits CSR spend on capacity-building by corporates—on their own administrative expenses or those of their implementing agencies—to 5 percent of total CSR expenditure in each year (as per Rule 4(6) under Section 135, Companies Act 2013).

However, placing such artificial thresholds for funding indirect costs (for example, at 5 or 10 percent) limits not only an NGO’s capacity to develop leaders, but also its very ability to grow into an effective, high-performing organization and scale impact. Funders can increase funding for capacity-building in many ways: through unrestricted funding, leadership development or capacity-building grants, allocations within program grants, or direct subsidies for leadership programs or other supports.

**Invest in building NGOs’ capacities to develop leaders from within.** Once funders decide to invest more in NGO leadership development, the next question arises: how should they target those investments, based on the NGO’s needs? External training and conferences can be valuable, and they comprise the most common forms of funding (see [Figure 5.2](#)). However, one-off conferences and the like are insufficient for institutionalizing leadership development practices. Ideally, funders can invest in people, processes, and talent-management systems. Not surprisingly, NGOs highly value these investments.

Of course, NGO needs vary widely. Larger ones with experienced leaders might require additional HR staff capacity to keep pace with the organization’s growth. NGOs approaching adolescence might need technical assistance for building pathways for developing leaders. Funders can create more space for candid dialogue, so that NGOs can share their unique circumstances and leadership needs.

## Figure 5.2: NGOs rarely receive funding for the investments in leadership development they find most valuable

Leaders could select up to three uses of funding they would most value and all those uses for which they had received funding in the past two years ( $n=203$ )



**Note:** Survey questions were “Imagine that funding were available to help your NGO cultivate senior leadership. Which would be most valuable to your organization? Please select up to 3.” and “In the past two years, has your organization actually received specific funding for any of the following purposes? Please check all that apply.”

## II. Incentivize the development of leaders

Less than 30 percent of NGOs report that funders are involved in their organizations' leadership development efforts. Funders can do far more:

**Leverage grant processes to incentivize leadership development.** Funders can rework their due diligence and results monitoring processes to include explicit requirements for developing leaders. Funders can assess not only the track-record of the NGO's leadership team but also the NGO's efforts to develop an internal bench of leaders. Where due diligence reveals gaps in these practices, funders can support high-potential NGOs in building these capacities.

Clearly defined metrics can help assess an NGO's progress in institutionalizing the “Four Practices” for developing leaders.<sup>22</sup> Example metrics include: clearly

<sup>22</sup> As outlined in Section IV, the “Four Practices” are (a) Build out a supportive culture and organization; (b) Map leadership development needs; (c) Provide development opportunities; and (d) Set goals and monitor progress.

defined leadership roles and requirements; clearly defined succession plans; established performance assessment processes; and delegated decision making.

Rajesh Singh, formerly the chief operating officer of MAMTA Health Institute for Mother and Child, says his role emerged through funder involvement: in 2012, one of MAMTA’s key donors suggested that the organization put in place a second line of leaders. The board of directors agreed, creating the role of chief operating officer and recruiting Singh. Now at WISH Foundation, Singh observes that funders’ due diligence processes for grantmaking can bring leadership development to the fore, which pushes an NGO to evaluate its efforts and invest further in this area.

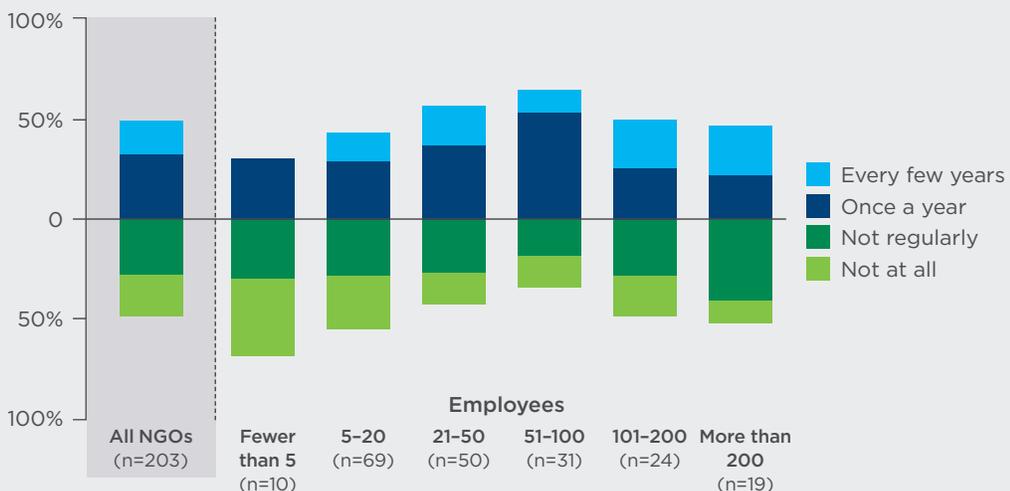
**Convene grantees to encourage action.** Funders can promote the benefits of leadership development and encourage experience-sharing by bringing their grantees together, especially with external experts or facilitators. Awards and recognition for NGOs that excel in leadership development can motivate them and inspire others.

### III. Connect NGOs to relevant expertise

NGOs often require hands-on guidance to implement the “Four Practices” and other leadership development efforts that are tailored to each organization’s specific needs. For example, NGOs with 51 to 100 full-time employees appear to require more frequent needs assessments than NGOs at other sizes (see Figure 5.3). They also may find it more challenging to identify leadership talent with a good cultural and strategic fit (see Figure 3.10). External consultants that provide customized support are often unavailable or unaffordable.

**Figure 5.3: 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 assesses its leadership needs (*n=203*)



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

### **Help NGOs connect to required expertise via a range of approaches:**

- *Funder expertise.* Funders can hire staff with leadership development experience to support their NGO partners. Omidyar Network takes this approach: they have professionals with backgrounds in talent management who provide services such as executive coaching, talent recruitment, and skills training to investee organizations.
- *Formalized networks.* Funders can match NGOs with experts from formal networks of individuals or organizations. Social Venture Partners has highly skilled members who provide funding to NGOs but, more importantly, also volunteer their talent and time to support grantees. An alternative is a shared-services structure, where different NGOs can draw upon or “share” a set of specialist organizations—contracted by, say, the funder—for talent development or other capacity-building roles. Indian for-profits often use this model, but it is nascent in the NGO sector. This is a white-space opportunity for funders to design and test an approach.
- *Informed referrals.* Finally, funders can connect NGO leaders directly with relevant experts. For example, Azim Premji Philanthropic Initiatives (APPI), on an “as needed” basis, introduces its grantees to external experts in such areas as leadership or fundraising. At times, APPI will even finance these services.

## **Funders can help build the ecosystem**

The size and scale of NGO leadership needs in India is vast. Funders must move beyond traditional grantor-grantee relationships in order to make leadership development a priority across the social sector. This will require investments in supports and a value proposition to truly shift mind-sets and spur action.

### **I. Invest in leadership programs**

Feedback and interviews revealed specific opportunities to build on the existing landscape of leadership development programs and invest in new programs that address unmet needs. (See the [Special Section: White Space in the Leadership Program Landscape](#).)

#### **Invest in developing new leadership programs that:**

- *Target specific NGO audiences.* To fill white spaces, programs can reach leadership teams (rather than individuals), target senior leaders (rather than all management levels), and focus on Indian NGO leaders solely (rather than a global or broad social sector scope).
- *Focus on practical and application-based learning.* Programs can support leaders’ efforts to deploy new tools and insights across their organizations through applied-learning and practical advice.
- *Emphasize organization-building competencies.* Program modules can zero in on organizational leadership to address much-needed skills such as strategic planning, managing change, and developing others.

- *Develop contextualized material.* Funders can invest in relevant program content, such as case studies of Indian NGOs. This content can draw from available resources as well as the experiences of NGO leaders participating in the program.
- *Engage and support program alumni.* Programs can maintain and extend learning for NGO leaders by developing alumni platforms or networks, by establishing links with program staff for additional guidance, or by running regular sessions where alumni share their experiences.

## II. Develop tailored resources

Leadership programs alone cannot fulfill the ideal 10 percent of formal development training, due to the limited seats and required time commitment from participating NGOs. Toolkits, guides, online courses, seminars, and other resources can help. But they are not widely available. And existing resources are not often customized to meet NGOs' needs. (See [Special Section](#) for details.)

**Provide a more accessible suite of resources for NGO leaders.** This can start with identifying any free global resources, including social sector publications, assessment tools, and guides (see [Special Section](#) and [Appendix E](#)). A portal could consolidate and disseminate the best of these resources.

Working with intermediaries, funders can create new resources to suit NGOs by building on existing models and knowledge. Acumen has taken this approach to supplement its well-known fellowship programs. Launched in 2012, the +Acumen initiative includes a range of free or low-cost online courses, covering such topics as adaptive leadership and storytelling.

## III. Build the case for developing leaders

It is difficult to quantify the results of long-term leadership development efforts, or the “return” on this investment. The case must be built, for both NGOs and funders. This requires an effort to articulate and prove the benefits of increased investment.

**Articulate the value of developing leaders.** This can start by compiling an evidence base. What is needed is explicit (and where possible, quantitative) proof of the value of investing in developing leaders. “You need a value proposition that hits them,” observes Aqueel Khan, founder and director at ASK India. “You need to show tangible benefits, for example, enhanced credibility, greater program impact, attracting more resources and funding, continuing to be relevant, and improved effectiveness.”

Funders might design experiments to contrast outcomes between grantees that adopt the “Four Practices” and those that do not. For example, one experiment could track what happens when an NGO provides explicit development opportunities to the second line of leaders. Similarly, where funders support leadership development programs or services, they can evaluate the impact of these initiatives.

Until there is a strong evidence base, funders can identify and develop more “success stories.” Such examples might demonstrate how NGO efforts for developing leaders resulted in more timely and effective decision making, or an increased alignment between the leaders’ and the organization’s goals. These NGO leaders can also dispel long-held myths, such as the notion that employees will leave for greener pastures once the NGO invests in their development—or that leadership development practices are inherently expensive.

Our case studies on Janaagraha, Smile Foundation, and Make A Difference—as well as the other NGOs referenced in [Section IV](#)—illustrate these points. To create additional stories, funders can look within their grantee portfolios. They should profile a wide array of NGOs—in terms of size, life stage, geography, and domain—to underscore that developing leaders benefits all NGOs.

**Communicate this value across the sector.** Funders can bring this topic to the forefront, demonstrate that it is a priority, and highlight the returns to NGOs. When celebrating exemplary NGO leaders, funders can emphasize how these leaders groomed the next generation.

To communicate the urgency of developing leaders, funders can:

- *Create campaigns.* The starting point is a clear and consistent message that defines “developing leaders” and succinctly conveys its value. Such a message can be marketed through multiple channels: leadership programs, peer networks, grantee portfolios, online forums, or key sector events. Examples of sector events include Dasra Philanthropy Week and Deshpande Foundation’s Development Dialogue.

A few eminent philanthropists can serve as champions, speaking publicly about the importance of investing in developing leaders. The messaging can also guide NGOs in how to make smart leadership investments.

- *Facilitate structured peer learning.* NGOs say they want to learn from each other. Funders can assist by organizing periodic and structured discussions—whether at leadership programs, conferences, or through new peer interactions.

For example, they can introduce quarterly roundtable discussions on developing leaders, perhaps by city, where sessions focus on each of the “Four Practices.” NGO leaders could present stories and share what they have learned. Candor is paramount, as learning can come from both the successes and challenges of leadership development, particularly around transitions.

- *Create a funder forum.* Funders can also learn from and collaborate with their peers. There is an opportunity for corporate and private philanthropies and funders to share experiences on NGO capacity-building and leadership development, particularly what works and what does not. One method could be a working group of five to 10 funders (along with a facilitator), who exchange ideas and create individual and collective action plans around developing leaders and building the ecosystem. For example, funders can collaborate to improve the knowledge base of leadership issues and jointly fund solutions.