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# Facing the Future

## How Successful Nonprofits Link Strategy to Leadership Development

By Elizabeth Bibb Binder and Kirk Kramer

*Tostan facilitators in Training, Senegal*

Nonprofit leaders make it such a high priority. And they give themselves such low marks for execution. The subject: leadership development.

In articles, speeches, and conversations, the leaders of nonprofits declare that they must prepare a new generation of leaders if their organizations are to continue to benefit the communities and constituencies they serve. Yet in a recent survey, The Bridgespan Group found that nonprofit leaders, by a margin of better than two to one, called leadership development their most glaring organizational weakness.

What accounts for the gap between aspiration and achievement? In many cases, nonprofits simply aren't paying enough attention to leadership development. But just as frequently, nonprofits fall short because they don't specify the leadership qualities that will most strongly influence the organization's future impact and effectiveness. Without that understanding, organizations can't define clearly what they need to develop in their staff and recruits, or determine how to provide people with the experiences that will enable them to grow into leaders who can meet the organization's future needs.

## A Recurring Dilemma

This dilemma came up time and again when we asked nonprofit leaders about the hottest trends affecting the nonprofit sector today. First, we asked how upheavals of recent years—ranging from the spread of social media to the deepest economic downturn since the 1930s—are changing their strategies and business models. We then asked how their organizations' leadership needs were changing as a result.

The answers were revealing in many ways. The leaders confidently shared penetrating insights into the societal, economic, and political forces that are driving them to rethink—and in many cases overhaul—the way they pursue their missions. But when we asked how they would define and develop the leadership capabilities they would need to forge new business models and turn new strategies into action, many hesitated. They admitted struggling to say precisely how their leadership needs were changing and how their leadership development actions would have to change to keep pace.

Their struggles didn't come as a surprise. This is a question that bedevils many of the nonprofits we work with. It's challenging enough to think through how large-scale trends will affect the organization and how its strategy will have to change for the organization to achieve its desired impact. Moving to the next step and inferring how leadership development efforts will have to change as a result can stymie even organizations with a strong commitment to leadership development.

## Common Obstacles to Leadership Development

In our work with nonprofits, we have observed that the obstacles to effective leadership development in changing times arise most often when organizations:

- fail to specify in sufficient detail how their business model will change and how that change will affect their activities and operations, including what their leaders must do differently to succeed; and
- focus on generic competencies rather than on the specific behaviors needed to successfully execute the organization's strategy. In addition, many organizations struggle to provide developing leaders with the underlying skills and experiences that would enable the behaviors that the strategy calls for.

For example, let's look at a business-model change that many leaders and experts in the social sector identify as critical to the future effectiveness of nonprofits: collaboration. Collaboration is a hot topic now for a variety of good reasons. But the term means different things to different people. In practice, collaborations come in various shapes and sizes, including: allying with another nonprofit to deliver a program, joining or leading a coalition of multiple stakeholders, partnering with a government agency or for-profit company, or even merging with another nonprofit.

Each of these different types of collaboration requires different leadership capabilities for success. Yet when organizations contemplate how collaboration will affect leadership development, they often fall back on generic descriptions, such as "leaders will need the ability to partner with others." Such generalities are of little help in crafting a workable development plan for their future leaders.

The experiences of organizations that have engaged in different types of collaborations illustrate the way for others. These organizations demonstrate in specific and practical detail that different strategies and business models—even those that appear superficially similar—demand different leadership qualities. Consider Endeavor and CARE USA; both global organizations forge partnerships with local organizations. But those partnerships are built on very different business models, and their leadership requirements differ accordingly.

## Two Different Collaborations, Two Different Sets of Leadership Needs

Endeavor, which assists entrepreneurs in growing their businesses, has been collaborating since 2010 with Abraaj Capital, a global private equity firm based in Dubai. The experience has enabled Endeavor to specify that its leaders need to understand the management style of businesses like Abraaj and how they dovetail with Endeavor's mission. CARE, on the other hand, has learned through its work with local NGOs that its future leaders will need the ability to build local partners' capacities to carry out their joint projects. That means leaders need the ability to transfer CARE's knowledge and management skills to its local partners.

When we talked with them, CARE and Endeavor had discovered the distinct leadership capabilities they needed, in part, through experience. It's a much tougher proposition for an organization to reach this level of specificity *before* it implements a new model. But our interviews with nonprofit leaders did show that it is possible to think ahead in a systematic fashion to ensure a snug fit between strategy and future leadership needs and development.

## Thinking Ahead at Tostan

One organization that has done so is Tostan, a global nonprofit that empowers African communities, particularly through work with women and girls, to bring about sustainable development and positive social change. A few years ago, Tostan, operating in eight countries with an annual budget of \$8 million, launched a growth initiative with the goal of operating in 12 to 15 countries. Its budget would expand accordingly, to \$25 million.

To bring about this strategic shift, Tostan COO Jennifer Hedrick, working closely with Founder and Executive Director Molly Melching and Tostan's board, mapped Tostan's goals to the systems, organizational structure, personnel, and leadership capabilities that would be needed for successful expansion, and plotted a timeline for bringing about the needed changes. Those future needs and timelines were then compared with the knowledge, skills, and traits of the people working in the organization. This allowed Tostan to identify gaps between the competencies of current employees and what would be needed in the future, then determine how to develop those competencies in Tostan's employees or hire for them externally.

Because one of Tostan's tenets is to employ people from the countries in which it operates and to promote from within, an apprenticeship and training plan was created to develop the needed competencies internally. But Tostan would also need to fill some positions before those internal development efforts came to fruition, which meant it would need to complement its internal development effort with external hiring. Tostan's external hiring requirements were carefully aligned with its internal development effort. As a result, when recruiting externally for a director of finance, it was emphasized that the successful candidate would be expected to develop the capacity of direct reports, thus building the pipeline of people with emerging chief financial officer competencies.

Extending this approach to the rest of Tostan's leadership team, a development and hiring plan was created that would equip the organization with the leaders it needed, when it needed them. Tostan's leadership team recalibrate the plan each year to adjust to changes in the organization's level of funding, taking care to prioritize its hiring plan to fill the most urgent needs first. This plan is reviewed with Tostan's board during annual budget meetings.

Evidence that Tostan's approach is working? When the director of finance resigned for personal reasons in 2012, the organization conducted a competitive recruitment process to find her replacement. The successful candidate: a Tostan

employee who had been with the organization for more than 10 years and who had been trained and mentored by the outgoing finance director.

## Tying Leadership Development to Strategy: A How-To

Drawing on our experience with Tostan and other organizations, Bridgespan has developed a process that we've applied in our consulting engagements to help organizations as they think through a significant change in strategy or business model (such as collaboration) to craft a leadership development plan to address the change. The process is guided by the answers an organization gives to four groups of questions, which include:

- **What major strategic change(s) or business model change** are we making?
- **What do we need to do well** to successfully execute these strategic changes?
- **What behaviors will our leaders need in order to do these things well? What skills, knowledge, and traits drive those behaviors?**
- **Which specific leadership needs link to specific leadership positions?** Can we develop the required behaviors in our own staff in time to fill those positions as they open up? If we cannot, what is our plan for recruiting outsiders who demonstrate these behaviors?

## How the YMCA Works the Process

The YMCA of the USA (Y-USA) is one organization that's using this framework to prepare its people to execute an ambitious new initiative, the YMCA's Diabetes Prevention Program (YMCA's DPP). Through this evidence-based program, which is administered at the national level, local YMCAs (Ys) deliver diabetes prevention programming to members of their communities. The local Y is able to charge program fees to the general public but is also working to achieve performance-based reimbursement from health insurers (both for-profit and nonprofit) and employers. The level of performance-based reimbursement varies according to the performance metrics achieved. After testing the YMCA's DPP with four United HealthCare plans, the nation's largest for-profit insurer, the national organization is now rolling the program out to more than 80 local Ys, in partnership with a number of insurers and employers.

To address its leadership development needs in light of this change in business model, Y-USA proceeded through our checklist of questions.

**How was the organization's business model changing?** For the first time, it had committed to collaborating with insurers and employers to deliver an evidence-based health intervention to the communities it serves.

**Next, how would Y-USA need to change to execute its changed business model effectively?** The organization's answer was that it would need leaders—at both the national and local levels—who could work productively with other Y-USA

leaders as well as insurers. Specifically, Y-USA's leaders needed the abilities to price the program appropriately, develop a sustainable operating structure for the program, and quantify and communicate the value of programming. Moreover, leaders would have to monitor program delivery to ensure its compliance with health-care regulations. Y-USA leaders also would need to secure funding to build a suitable infrastructure for delivering the program.

That brought Y-USA to the question, **what sort of behaviors would the Y's leaders need to display, and what skills, knowledge, and traits would drive those behaviors?** Y-USA determined that its leaders would need to display several behaviors. Leaders would need the ability to analyze the program's economics, determine optimal cost and revenue, develop and deliver compelling proposals to prospective partners, design an operating structure to deliver the program effectively, and determine the implications of health-care regulations for the program.

Working backward from those desired behaviors, Y-USA determined that its leaders would require strong financial and communications skills, combined with business acumen. They also would need to be knowledgeable about health insurance regulations and policies, the business models of insurance companies and the Y itself, and the nuts and bolts of business development. And leaders would need to display a range of traits, including consistency, efficiency, and empathy.

The Y-USA's reassessment of its business model and leadership development needs has now reached the fourth set of questions—**which specific leadership attributes link to specific leadership positions?** The organization is in the process of developing answers to those questions—answers that include designating the activities that the Y-USA can use to develop the sought-after attributes in its current staff.

Y-USA still has more work to do to complete the link between strategic changes and leadership development. But it has developed specific, actionable statements about the leadership behaviors and competencies it needs. And that means that Y-USA is several steps closer to developing or recruiting leaders who can make the Diabetes Prevention Program a success.



In their different ways, CARE, Endeavor, Tostan, and Y-USA show how nonprofits can prepare to meet the future with the leaders who can help them navigate the challenges and opportunities of a changing world. By looking carefully and candidly at the environment and their own organizations' capabilities, they plotted new strategic courses and thought through the implications for their leadership development efforts. Without resorting to guesswork or taking refuge in generalities, they managed to translate their business models into the specific tasks and leadership attributes needed to succeed. And they did so soon after developing their strategies or through well-constructed pilots.

No one has done it perfectly. Indeed we see leadership development in general as an iterative process of planning, learning, measuring, and adjusting. But we do believe that the process we lay out—derived as it is from the practical experiences of real organizations like CARE, Endeavor, Tostan, Y-USA, and many others—offers a path forward that ties strategy to specific future leadership needs.

**BOSTON**

535 Boylston St., 10th Fl.  
Boston, MA 02116  
Tel: 617 572-2833

**NEW YORK**

112 West 34th St., Ste. 1510  
New York, NY 10120  
Tel: 646 562-8900

**SAN FRANCISCO**

465 California St., 11th Fl.  
San Francisco, CA 94104  
Tel: 415 627-1100

