How to Recognize—and Fix—Human Capital Management Issues

By James Shepard, CEO and Co-founder of AchieveMission

Most of the executive directors I’ve met agree that excellent leadership and talent are essential to organizational success.

Some even go so far as to say that leadership quality and talent development are high priorities. Yet again and again, we see executive directors postponing efforts to cultivate great leaders. Why? “Not enough money” and “not enough time” are completely legitimate but insufficient responses. Working with hundreds of nonprofits, AchieveMission has identified two understandable and powerful miscalculations that prompt leaders to delay and deprioritize human capital initiatives, which can lead to costly problems in the future.

The first miscalculation arises when leaders do not recognize the early signs of leadership challenges—problems that, when caught early, can be simple and inexpensive to address. The second miscalculation occurs when leaders recognize a human capital challenge but decide to delay action. Here, leaders often underestimate the costs and risks of the delay.

In this article, I’ve identified three stages that describe how leadership problems in an organization often progress if left unaddressed. By explaining the symptoms and recommending remedial action for each stage, we hope to help senior leaders recognize early warning signs, take early action, and avoid later, more expensive and painful solutions.

Early-Stage Challenge: Future Gaps

“We had done a lot of work around our [new] strategic plan,” said Deborah De Santis, CEO of the Corporation for Supportive Housing. “Adopting this new model of service delivery and programming would be a huge leap forward for us in terms of achieving our mission, but it also revealed an opportunity gap in terms of our staffing structure and how we’d need to invest in our people to take advantage of this new opportunity. ... With our [envisioned] geographic footprint and new
sectors, we would need to recruit new talent and realign existing talent, and we wanted to do it the right way.\textsuperscript{1}

Your organization is facing an early-stage leadership and human capital management challenge if your talent-development methods are working well now but will need noteworthy changes to meet future goals.

Signals that an organization might be facing an early-stage challenge include:

- A recent commitment to rapid change via growth, geographic or programmatic expansion, adoption of new fundraising strategies, or building a significantly different, higher-performing culture;
- The recent hiring of a new leader with a strong mandate for change; or
- The realization that progress toward your goals would be significantly delayed if a particular person left the organization.

The challenge at this stage is to close the gap between the current leadership and human capital capabilities and those required to achieve future strategic goals, and to close that gap quickly enough to keep the organization on its desired trajectory. There are two major factors that make this task particularly difficult. First, the lack of highly visible evidence makes it hard to recognize nascent challenges and galvanize staff to take necessary action, especially when other, more obvious and immediate organizational challenges compete for attention and resources. Second, the target keeps moving: maintaining the human capital systems needed to execute forward-looking strategy requires leaders to anticipate future needs with enough precision and confidence to invest today in the resources needed to solve tomorrow’s problems.

The key to success at this stage is to create and implement a change-centric strategic human capital management plan that will build the talent pipeline and other capabilities that the organization needs to achieve its strategic goals.\textsuperscript{2} Insightful planning allows the organization to carefully budget scarce resources so it can carry out the most effective, most efficient, and lowest-risk solutions to its most important talent problems. Using an organizational change model can help

\textsuperscript{1} For additional information read the full case study at http://achievemission.org/resources/resourcerecenter/achievemission-case-studies/view/corporation-for-supportive-housing-grows-and-changes-with-achievemission-support-a-deep-independent-case-study-funded-by-annie-e-casey-foundation.

leaders navigate the difficult intellectual and emotional challenges that prevent staff from embracing, rather than merely tolerating, the new approach to talent management.3

Mid-Stage Challenge: Holding It Together

One vice president of talent described his organization’s situation this way: “We’ve started expanding into new cities per our new strategic plan, and I don’t think we fully appreciated the challenge.... It’s too early for a final judgment, but I now think it’s inevitable that some of our new city and program directors aren’t going to make it. Not only did we not plan for that, but each of them—including the likely ‘bad new hires’—is in turn hiring a handful of people who will likely also not be a good fit. So I can see the scope of that problem growing. ... It increasingly feels like we’re flying blind since we don’t have time to anticipate and plan; the senior leadership team has been too distracted solving operational challenges. Staff members aren’t complaining to me yet, but I sense that the joy level has taken a hit. ... We’ve started trying to fix some of the capacity-building challenges, but it feels like we’re rushing to catch up . . . which is particularly hard because we’re already working too many hours.”4

At this stage, there’s a growing gap between the human capital your organization has and what it needs, but it’s still hitting strategic goals through unsustainable heroic effort.

Organizations facing a mid-stage challenge often report that they’re hitting their strategic program and financial goals despite that:

• Several new and important hires are taking much longer than expected to come up to speed or are showing early signs of falling short of expectations.

• People are increasingly confused or in disagreement about individual roles, responsibilities, and degrees of decision-making authority. Staff members are increasingly frustrated that they don’t have the information they need to do their work effectively.

• Various “fires” are distracting the senior leadership team, leaving them little time for forward-looking, strategic thinking.

• Staff members are still highly engaged but are working long hours, reporting increasing frustration and beginning to complain about burnout. There is a noticeable uptick in staff complaints about low pay, lack of benefits, and lack of career paths. Operational human capital metrics—turnover, time to hire, and percentage of first-choice candidates accepting the organization’s offers—may be getting worse.


4 More information will be available in a forthcoming case study. Please register to be notified when it is available: www.achievemission.org/register.
At this stage, the challenge is to close the gap between the organization’s current leadership and human capital management capabilities and what it needs to achieve both current and future goals. Three elements of this are particularly difficult. First, both leadership and staff are already stretched thin, leaving less time and attention for capacity-building efforts. Second, the delay in early remedial action has made it harder to use staff development strategies to fill talent gaps. At this stage, the cheaper early-stage solutions are no longer sufficient. We recommend taking two additional steps.

- First, stretch out the achievement of strategic goals and reallocate resources to bolster human capital capabilities. This provides the organization the opportunity to catch up and regain a proactive human capital management stance.
- Second, add human capital management expertise to the senior leadership team and add human capital check-ins to the standing agenda for both the leadership team and board. This helps ensure that organizational leaders have the needed human capital management capabilities, and that there is system in place to continually correct engrained but no-longer-optimal priorities and behaviors. It’s often beneficial to offer the executive director some carefully tailored coaching so she can confidently model the new talent-management behaviors that the staff need to embrace.

Both of these changes require executive leaders to humbly and courageously embrace the missteps that have led to the current difficulties, and to confidently and visibly lead the change effort.

Late-Stage Challenge: Missed Program and Fundraising Goals

A CEO and COO discussing the lessons they learned from earlier leadership and talent challenges explained: “As we were growing within East Harlem, we didn’t have a standardized process for identifying the right people. We made some poor hires who were disappointing to us and ultimately to the children and families we serve. ... In addition, all of our managers were new at managing. That contributed to staff turnover and even some painful [program] implementation dips.”

Your organization is facing a late-stage leadership and human capital management challenge if weaknesses in those areas cause the organization to miss critical and highly visible program and financial goals.

At this late stage, organizations report a broad range of leadership, human capital, and strategic challenges:

- Key program and fundraising goals are being missed, which in turn puts a wide variety of strains on the organization.
- Funders may still be highly supportive, but may also be asking increasingly direct questions about how the organization plans to get back on its feet.
• All or some fraction of the board is discussing the need for a leadership intervention. This may start as a suggestion for coaching or an external evaluation, but it can quickly morph into advocacy for a new executive leader.

• There is noteworthy turnover in key leadership roles or new roles essential for the success of the organization’s strategy.

At this point, early- and mid-stage symptoms have metastasized: for example, weak hiring capabilities have led to hiring an inappropriate regional director who has, in turn, hired several ineffective managers. In time, this team has produced weak programming that has undermined funding relationships.

The challenge at this stage is to address several urgent and interrelated problems at the same time, even as the organization’s leaders have lost the trust of many internal and external stakeholders. A major complication is that the board and executive team that enabled the organization to reach this point are almost always part of the problem. Undoing the damage can take several years, and some funders may withdraw their support during this overhaul.

Pushing forward at this late stage is usually both expensive and risky. For those unfortunate enough to reach this moment, the best steps forward will vary depending on the size of the organization, but these are good ones to consider:

1. **Triage.** Take the urgent steps needed to maintain operations.

2. **Assess the board and executive leaders, and make the immediate changes required.** For organizations that are still in the early stages of growth, this can mean bringing in a strong coach to train a young executive director and hiring a more operationally capable COO to complement her approach. For more mature organizations, it can mean hiring an interim executive director and launching an executive director search.

3. **Engage with existing funders to maintain their support during this difficult transition period.**

4. **Once new leaders or a reconfigured leadership team is in place, communicate to the staff, board, and key funders the broad strokes of required changes.** The key is to quickly make good-enough decisions regarding strategy, budgets and current staffing, knowing that additional changes will be required. New leaders typically benefit from strong stakeholder support in taking these immediate steps.

5. **Step back, plan, and gain widespread buy-in for a larger agenda of changes.** It is essential to appreciate the depth of effort required to maintain the support of funders, the board, and staff. What you may perceive as self-evidently necessary and positive improvements will strike some stakeholders as unwanted and unwise changes to the organization’s longstanding methods, and may even challenge some people’s longstanding personal beliefs and loyalties.
Conclusion

Armed with this three-stage analysis, organizations can more easily recognize when they face leadership and human capital management challenges. This early awareness, coupled with a newfound appreciation for the cost of delaying solutions, will, we hope, position your organization to take proactive, corrective action, and address problems when they are at their smallest, simplest, and most easily remedied.

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