

## Building Leadership Capacity: Reframing the Succession Challenge

*“Until we as an organization—and the sector as a whole—become much more intentional about development of internal talent, we are doomed to an ever-growing leadership deficit.”*

— Neil Nicoll, President and CEO, YMCA in “[Finding Leaders for America’s Nonprofits: Commentaries](#)”

According to a Bridgespan Group survey of more than 150 nonprofit leadership teams, leadership development and succession planning for senior leader positions is the single greatest organizational weakness nonprofits face—nearly two times weaker than their next greatest challenge! Research corroborates that perception; nonprofit organizations promote from within far less than for-profit enterprises (typically sourcing 30 to 40 percent of senior leaders through internal promotion versus 60 to 65 percent in the for-profit sector<sup>1</sup>).

This news would be cause for concern under any circumstances, but it is particularly troubling given the intensified demand for leaders that many nonprofits are (or soon will be) facing.

Bridgespan’s “[The Nonprofit Sector’s Leadership Deficit](#)” analysis estimates that by 2016 the nonprofit sector will need more than half a million new senior managers as the sector continues to expand and as baby-boom leaders retire.

Why is developing future leaders so hard? A key reason may be that we as a sector tend to frame the issue very narrowly as “succession planning.” This term generally brings to mind the search that accompanies the departure of an executive director.

That search may be frantic or it may be well planned and executed. But in any case, it is an intermittent, isolated activity. And in our conversations with

### Human Resource Foundational Elements

Leadership development processes build on and link to the underlying HR processes of the organization. For an organization to effectively develop and refine its leadership capacity-building processes, several foundational elements should be in place. We share these below and include links to resources on these topics where possible.

- [Job descriptions/assignments with clear roles and responsibilities](#)
- [Standardized recruiting tools \(interview guides and assessments\)](#)
- [Basic training for common roles and supervisors](#)
- [Performance evaluation process](#)—informal feedback, formal evaluation, individualized development planning
- [Goal setting](#)
- [Compensation, recognition, promotions](#)

<sup>1</sup> Ram Charan, “Ending the CEO Succession Crisis,” *Harvard Business Review*, February 2005, and Russell Reynolds Associates, “The CFO Turnover Study,” May 2005 as referenced in Bridgespan’s 2006 “[The Nonprofit Sector’s Leadership Deficit](#)” report.

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management experts and nonprofit executives alike, one thing already has become clear: The most *successful* succession planning is not a periodic event triggered by an executive's departure. **Instead, it is a *proactive and systematic investment* in building a pipeline of leaders within an organization, so that when transitions are necessary, leaders at all levels are ready to act.**

Bridgespan has launched a long-term research project to better understand what it takes to get that investment right. We're examining best practices in both the nonprofit and for-profit sectors. We're also conducting in-depth interviews with senior leaders at organizations that have taken purposeful steps towards building their leadership capacity. Our findings so far are preliminary, but they suggest that good leadership development and succession planning should resemble a set of six linked processes (shown below) that build on an organization's underlying human resource function (see [Human Resource Foundational Elements](#) for more information).

### The Six Linked Processes of Building Leadership Capacity



These six processes apply to any nonprofit, but the time, effort, and resources needed to pursue each one thoroughly (and the complexity of any given process) will vary depending on an organization's mission, individual characteristics, needs, and size.

Below we describe each process at a high level and list related key questions that we are continuing to explore in our research, as well as suggested reading for further information.

#### 1. *Engage senior leaders*

As with any strategic priority, effective leadership development begins with the active commitment and engagement of the senior leaders (i.e., executive director/CEO, board members) who set and fund priorities. Human resources staff can be expected to provide support but cannot drive the processes. Senior leaders need to own the initiative and general expressions of commitment are rarely enough. They must actively dedicate time and resources to the effort. Similarly, line managers must be equipped and held accountable to developing future leaders.

**Our key research questions include:**

- In the face of time and resource constraints, what are the most important actions an executive director can take to drive the development of future senior leaders?
- What is required to help board members at all levels (e.g., national office, local chapters/sites) to engage in building leadership capacity on an on-going basis—not just when the executive director announces his/her retirement?

**Suggested reading:**

[“Growing Talent as if Your Company Depended On It,”](#) *Harvard Business Review*

This article explains why leadership development is a core part of what successful organizations do and what roles the executive director/CEO, board, line managers, and HR play, using examples from for-profit organizations. (*Subscription/fee required to read the full article.*)

**2. Understand future needs**

One essential step in building a leadership pipeline is figuring out what sort of capacity (e.g., roles, skills, and numbers) an organization will need in the future to achieve its strategic goals. Another is assessing the potential of current staff to fill that capacity. The latter is sometimes referred to as identifying “high-potential” employees or “succession candidates.” The actual process of identifying these future leaders can be challenging, as current leaders will need to think about how to map backwards from future strategic needs to the skills an individual currently demonstrates, and determine how to define and identify “potential.”

**Research questions include:**

- How can performance management practices, which typically look to the past, be adapted to include assessments of future potential? How should these practices link to strategic planning?
- How should current leaders communicate with and involve their employees in this process?

**Suggested reading:**

[“How Organizations Develop Leaders,”](#) Corporate Executive Board

A section of this presentation, Identifying Future Leaders, provides an overview of steps and tools to use during this process.

### **3. Develop future leaders**

In addition to commitment from employees and their managers, helping staff achieve their full potential is likely to require a variety of supports including, but not limited to, formal training. Most important are on-the-job stretch opportunities (e.g., temporary project or role assignments), and mentoring and coaching from line managers or other senior leaders within the organization.

#### **Research questions include:**

- For up-and-coming leaders, what is the right mix between different kinds of learning opportunities and supports?
- How do organizations ensure that these supports are integrated and aligned (e.g., the coaching provided by the manager reinforces the training received)?

#### **Suggested reading:**

[“Goldman Sachs: The Pine Street Initiative at Goldman,”](#) Harvard Business School

This case study illustrates how Goldman Sachs’ training programs evolved from traditional classroom training programs to action-based learning focused on leading through real business problems. *(Fee required to read the full case study.)*

[“52 Free Development Opportunities for Nonprofit Staff,”](#) Bridgestar

This list, organized by skill type, shares ways nonprofit leaders can engage promising staff members in critical skill development areas without sending them to formal external trainings

### **4. Hire leaders externally, as needed**

The amount of internal versus external hiring within any organization is likely to vary by a number of factors. But for positions that cannot be developed internally, organizations will need practices in place to source, attract, screen, and integrate external hires. As noted in Bridgespan’s [“Finding Leaders for America’s Nonprofits”](#) report, screening for cultural fit appears to be one of the most essential—yet most difficult—parts of the recruiting process but must remain an emphasis during the integration of external hires.

#### **Research questions include:**

- How do organizations balance the need for cultural fit with a desire to create teams with diverse backgrounds and experiences?
- What is an effective mix of internally promoted leaders versus externally hired leaders?
- What are some practical dos and don’ts for integrating external leaders?

**Suggested reading:**

[“Onboarding: Tips for Transitioning into a Senior Nonprofit Role,”](#) Bridgestar

This article provides tips that organizations can use to help new senior managers transition into their new roles.

**5. Measure and improve practices**

As with any core process within an organization, senior leaders should continuously step back to assess the effectiveness of the organization’s leadership development processes. This includes refining processes based on results (e.g., coaching approach A leads to greater retention of potential leaders than coaching approach B) and updating based on strategic priorities (e.g., changes in skills needed as program focus shifts). The organization that can track the impact of its capacity-building efforts is more likely to get the senior commitment and resources required from internal and external sources.

**Research questions include:**

- How can organizations measure the value of their leadership development efforts in terms of impact on individual staff, the organization as a whole, and beneficiaries?
- How can senior leaders use this data to make the business case for development to internal decision makers and external funders?

**Suggested reading:**

[“Boys and Girls Club: Putting a value on training,”](#) *McKinsey Quarterly*

This case study describes how Boys and Girls Club used an analytical approach to design leadership training programs targeted at those leadership skills that are most closely linked to high performance, and how the organization was able to demonstrate return on investment in revenue and membership

**6. Build a culture that supports development**

As the American Express NGen Fellows noted in their [June 2011 report](#), “Changing the Status Quo: Intentional Succession Planning Through Leadership Development” “successful organizations make leadership development an intentional part of the culture. When a culture of feedback and professional development is fostered openly and intentionally with all staff, the organization better develops leaders and inspires staff to stay engaged.” Senior leaders should create an environment in which employees can express interest in leadership positions and feel supported in their development—and those who invest in them feel recognized for those efforts.

**Research questions include:**

- What are some of the markers of an organization in which leadership development is “intentional”?
- What are the most common barriers to creating this type of culture—and how have others addressed them?

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