

## A 5-Point Plan for Grooming Future Nonprofit Leaders

*By Kirk Kramer and Preeta Nayak*

With budgets to run vital programs and services stretched so thin, nonprofit chief executives at groups of all sizes and missions feel much the same way: It's impossible to commit serious budget money to developing new leaders. And no matter how clear the need is, few CEO's can figure out how staff members already working at full capacity would have the time to spend on leadership training.

Investment in leadership can feel like a luxury compared with investing in needs at the heart of a nonprofit's charitable purpose, but failure to invest in leadership as well as services puts the entire mission at risk.

That's something most nonprofit leaders recognize, judging from responses to a new survey of 400 leaders by the Bridgespan Group. Only 35 percent of nonprofit leaders agreed that their organizations were "highly effective in developing a strong internal and external pipeline of future leaders," and of that, only 6.6 percent strongly agreed with the statement.

While the overall picture for leadership development is gloomy, a few groups are doing outstanding work and can serve as models for other nonprofits.

Successful groups all have one thing in common: Everyone on the leadership team is committed to developing new skills among the staff as part of their everyday activities. While most organizations think about leadership development and succession planning only when a key position opens up or when a crisis threatens, these organizations consider it continuously. Leadership development is a regular item on the agendas of their boards and senior executives, and it's integrated into the performance-review process. When assignments are handed out, these executives are always thinking about how to coach and mentor employees.

Few of these activities are additions to the organizations' work or a burden on their budgets. Instead, existing processes are consciously designed to incorporate leadership-development opportunities.

In one form or another, the nonprofits that are best at developing leaders follow five steps that together we call [Plan A](#).

We borrowed the term from Kenneth Chenault, the American Express chief executive whose approach to leadership development involves regularly asking every member of his senior team, "What's your Plan A?" By that, he means: What do you think your division's leadership will need to look like over the next three years, and how are you building your people to get there?

Here are the steps that are crucial to carrying out Plan A.

**Engage senior leaders.** To build leaders for the long term, the chief executive must serve as the de facto chief talent officer. She signals the importance of leadership development, sets expectations for her team, and puts the process in motion by developing the people who report directly to her and then asking them to do the same for their teams. Thus, she communicates her commitment to the rest of the organization.

**Map out a vision of the future leadership team.** Taking formal steps on a regular basis to identify how the organization may change over time and what that means for the leaders needed and then acting to develop the new skills required to meet those challenges is critical.

**Develop future leaders.** Leaders develop primarily through well-designed on-the-job experiences. Research has shown that the most effective leadership development involved 70 percent on-the-job learning, 20 percent help from coaches and mentors, and 10 percent formal training. While many nonprofits offer their staff members “stretch” opportunities, the most-successful groups are systematic about doing so, consciously building the right skills in the right people over time.

**Seek new talent to fill gaps.** Even the best-prepared organization can’t always fulfill its Plan A through internal promotions alone. But hiring new leaders who fit your needs is just the first step. Making sure that the first few months on the job are carefully planned so new leaders can succeed is crucial.

**Monitor and improve the process of developing leaders.** Successful nonprofits gather data to ensure that they are doing what they set out to do— making progress toward their Plan A goals—and adjust their approach to incorporate lessons they learn in assessing what has worked and not worked.

The payoff from investing continuously in each of the five steps can be significant.

The Corporate Leadership Council, a unit of the Corporate Executive Board, has found that business leaders who are successful in developing their staffs achieve 7 percent more revenue and 6 percent more profit than the average leader, while leaders who are poor developers are 7 percent and 6 percent below the average. That’s a 14-percentage-point swing in revenue between the best and worst developers and a 12-percentage-point swing in profit.

The payoff can be just as significant in the nonprofit world. GuideStar, which provides data on nonprofits to donors and others, recognized that its top leaders and staff members needed new skills when the organization sought to move away from its reliance on foundation grants and instead earn its budget from fees for services.

By focusing its leadership development efforts to increase the number of people who had expertise in commercial enterprises, GuideStar successfully completed the transition, and today the group runs entirely on fee revenue, using grant money only for special projects.

We’re convinced that nonprofit leaders know intuitively that their organizations, too, could generate significant returns from this type of investment in leadership development. But they’re unsure how to proceed.

It's time to change how nonprofits think about the challenge ahead. The sooner everyone recognizes that leadership development isn't magical or mysterious, but instead a discipline that any organization can master and adapt to their needs, the sooner nonprofits can start building a pipeline of future leaders. The key is to make leadership development all in a day's work, following a Plan A that suits an organization's goals, working style, and talent. At stake is nothing less than the ability of nonprofits to keep carrying out their missions.

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