Leadership Development: Five Things All Nonprofits Should Know

Why leadership development takes courage but is the best investment a nonprofit can make.

By James W. Shepard, Jr. | May. 14, 2014

Despite a big uptick in attention paid to nonprofit leadership development over the past decade, a lot of misunderstanding remains. Many organizations think leadership development is too expensive, that it’s all about training or sabbaticals, that it’s a “nice to have but not necessary” employee benefit, or that executive leaders should focus on other things.

But those organizations are wrong—and wrong enough to seriously imperil their vision and mission. After years of working helping nonprofits and other organizations develop strong leadership, I believe these are the five most important things every executive needs to know:

1. **Leadership development investments provide high returns on investment (ROI).** The data is clear and compelling: many studies have demonstrated the very high ROI of effective human capital management and leadership development initiatives. An earlier post in this series explored a number of recent nonprofit studies, but those are just the tip of the iceberg. Dozens of other studies encompassing a diverse set of organizations (including nonprofits, for-profit companies, and public...
sector organizations), spanning countries worldwide, and across dozens of diverse fields (such as health care, education, media, and manufacturing) all point to the same conclusion. Just as the science on climate change is now beyond debate, the headline of these studies is clear: Investing in an organization’s human capital management and leadership development capabilities pays for itself and continues to produce tangible benefits that far exceed the costs.

2. **Strengthening leadership development results in more mission impact, higher revenues, lower costs, and greater stability.** A high ROI is not just a financial concept; strengthening leadership development produces concrete improvements in the areas nonprofits care most about. Consider the following quotes from real nonprofits that have made such investments:

“Previously, when we had turnover, it hurt our program results; now it doesn’t.”

“We were able to hit our growth goals because we made a focused effort to forecast and then develop the talent we needed.”

“It is clear to me that the team we’re building now is much more capable of delivering on our organizational strategies.”

Investing in leadership development isn’t a distraction from programs; it’s how you ensure that your organization achieves its potential impact.

3. **Most nonprofits spend their leadership development dollars ineffectively.** Over the past 50 years, corporations have invested billions of dollars studying and refining how to most effectively develop current and future leaders. What has emerged is a handful of best-practice principles that run through all the best programs at both corporations and nonprofits. Unfortunately, only a small number of nonprofits are practicing and sharing these guidelines.

The **70/20/10 Model for Learning and Development** is one example. Professional development experts have demonstrated that about 70 percent of learning happens on the job through carefully chosen “stretch” assignments, 20 percent happens as managers and peers help employees succeed in those assignments, and only 10 percent happens through formal training. Yet we’ve observed that most nonprofits focus leadership development resources on the most expensive and smallest part: the 10 percent allocated for training, books, conferences, and sabbaticals—all essential but insufficient on their own. We need to learn how to take advantage of these kinds of principles so that we can get the most from our limited leadership development resources.

4. **Most nonprofits can achieve high-quality leadership development if they have courageous
leadership. Designing and implementing a highly effective leadership development program is actually relatively simple. It is also quite hard—hard, because it requires courage. A great program will create a deep pool of talent and ready successors for important roles. As a nonprofit executive leader myself, it can be unnerving to work with one or more people on my staff or board who will soon be ready to take my place; being indispensable is in many ways much more comfortable.

What’s more, great leadership development programs often move developing leaders into a variety of roles to provide a breadth of learning opportunities. Again, it takes courage to move an employee from a role in which he is highly successful to another where he is less proven, even if it is the right development opportunity.

Great leadership development programs also tend to focus limited resources on employees who are considered the most capable of becoming future leaders. It takes courage to choose which of your employees is going to get outsized attention because of her high leadership potential, and which will not; those you do not select may get angry or even quit.

Finally, it takes courage to invest in leadership initiatives when making payroll is in question. The good news is that I see this kind of courage regularly, at all levels of nonprofit management.

5. Nonprofits can make big improvements for free right now. Even with limited or no additional funding, organizations can make immediate progress on leadership development. If your nonprofit has time to do just one thing, recruit an experienced executive with expertise in leadership development and succession management onto your board, and give them an explicit mandate as head of your new Human Capital board committee. (To start, look to your corporate partners and LinkedIn network.) If you live in a city served by the Taproot Foundation, apply for a free Leadership Development and Strategic HR service grant. If you have a bit of money to spend, apply to host a senior human capital management expert as a temporary Encore Fellow. There are free case studies and a wealth of other written resources available. Every great journey begins with just one step: Take yours today.

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