Chapter 2: Understanding Your Future Needs

Maybe that was the easy part, you think to yourself. I made my pitch for engaging more deeply in leadership development, and the senior leadership team signed on, unanimously and, for the most part, enthusiastically. But now we have to figure out what kind of leaders we need to develop. And we can't decide that without first figuring out what sort of organization we are, and what sort of organization we'll be in three years. Where to begin?

Well, it seems logical to begin with the changes we have planned. For the first time in the organization's history, we're going to advocate for new state and federal policy. Our communications director has experience in this field, but we'll need to give some other members of the team exposure to the public policy arena. And with the new sites we hope to open, we're going to need several new site directors. Then there's our head of HR, who's thinking more and more about starting her well-earned retirement. We're going to want to beef up the HR department over time, so her replacement should be someone who has helped other organizations build up their HR functions. Are there people further down in the organization who can fill the gaps? Will they be ready in the next two or three years? I'm going to have to sit down with the leadership team and start to figure this out...

Robert Ottenhoff would likely sympathize with our hypothetical CEO's concerns. He and the organization he formerly led, GuideStar, faced what he has called "a sobering period" in late 2002. Ottenhoff had just been named president of GuideStar, a nonprofit that gathers and publicizes information about nonprofit organizations, and GuideStar's funding consortium, a group of large philanthropic foundations, took the occasion to

deliver a challenge: Until you develop a plan for sustainability, you'll receive no further funding from us.

That got GuideStar's attention. To become self-sustaining, GuideStar had to overhaul its funding and operating model. Instead of supporting its activities with foundation grants and giving away its products and services, GuideStar would need to start charging at least some of its customers. But Ottenhoff and his colleagues realized that if GuideStar was going to charge for some services, it would have to upgrade the quality of those offerings. "When you offer everything for free," Ottenhoff said, "good enough is good enough. But when you are charging a customer, they expect something better."

Ottenhoff and his colleagues concluded that GuideStar needed to develop a team that possessed skills and attitudes more similar to those found in a for-profit business. With those requirements in mind, the organization initiated a review to assess its talent pool and establish expectations for the future. Three key questions guided the review process:

- What is our strategy, and how do we fulfill it?
- What kinds of people do we need to fulfill our strategy?
- How do we develop or find these staff and leaders?

At some point in its existence, every nonprofit arrives at its own "sobering moment." Its leaders realize they must reexamine their goals and assess whether they have the people in place who can lead in the future. What roles will they be asked to fill? Do they have the competencies required to fill those roles? Can those competencies be developed, or will the organization have to look outside to find the next generation of leadership?

These questions take many nonprofits into unfamiliar territory. Only 41 percent of the respondents to our Leadership Development Diagnostic Survey agree or strongly agree that

they have "a clear understanding of the leadership capacity (e.g., skills, roles, and number of individuals) our organization will need three to five years from now in order to achieve strategic goals." It's not surprising then that only 41 percent agree or strongly agree that they "have identified potential successors for critical positions" and "where successors are not in place," only 32 percent "have plans in place to address our gaps." As a result, many organizations find themselves caught short when a senior leader departs or a new senior-level position is created. More often than they'd like, they have to hire externally to fill the gap.

It doesn't have to be this way. Some of the nation's most successful nonprofits have shown it's possible to take a systematic approach to understanding future leadership needs. In this chapter, we'll look at the three key steps organizations can take to understand their future needs and prepare to meet them. The steps are general enough that organizations of any size can implement them in some form. The steps call for senior leaders to:

- Step 1: Define the critical leadership capacities needed to fulfill your organization's mission in the next three to five years.

- Step 2: Assess the potential of your staff (current and future leaders) to take on greater responsibility.

- Step 3: Create your Plan A for what leadership teams within the organization will look like in three years.

These steps aren't a one-time event in the life of an organization. It's a good idea to conduct them regularly, although the timing of the steps will vary. The process of defining critical leadership competencies may be repeated every few years, depending on the organization's rate of change, though most nonprofits should revisit their assessment of staff potential and Plan A annually. Let's look at each step in detail, largely through the examples of nonprofits that have gone through the process.

Step 1: Define the Critical Leadership Capacities Needed to Fulfill Your Organization's Mission in the Next Three to Five Years

Questions about the leadership pipeline have a place in any strategic planning discussion. They are also worth asking at any major organizational inflection point—when the organization is entering a rapid growth phase or consolidating operations, for example, when a senior leader announces plans to retire or depart, or when changes in the external environment require that the organization make

changes. Fast-growing organizations especially will want to ask whether they need to add leadership positions or change the scope of existing positions. An organization that's planning to grow by adding new sites, for example, probably needs to develop a cadre of site directors, and possibly a vice president for field operations to support and coordinate site activities. An organization that has shifted its strategy toward greater focus on community engagement may need to enhance the skills of existing or future leaders to work effectively with external stakeholders. These types of shifts may lead the organization to revise the competencies required of future leaders and, consequently, the Plan A for developing the competencies of high-potential individuals.

Leadership Development Terms Defined

Leadership literature is littered with impressive-sounding buzzwords whose meanings seem to morph with every new usage. Some words seem to be used interchangeably—for example, 99.9 percent of us can't explain the difference between a "skill" and a "competency." Yet the two words mean two different things.

A framework to help clarify the differences among common leadership development terms has been developed by the Corporate Leadership Council (CLC), a unit of CEB, a for-profit business research and advisory service.

According to the CLC, a leader possesses various **competencies** that enable her to do her job. In other words she is "competent" in areas critical for success in her role. Competencies are made up of groups

of **behaviors**—the specific actions a leader needs to demonstrate her competence. Someone competent in problem solving, for example, demonstrates a number of behaviors, including the ability to identify and define a problem, break it down into its constituent parts, analyze each part, and develop, test, and implement solutions.

Underpinning these behaviors are skills, knowledge, and traits. **Skills** are learned capacities that enable a person to perform a task. Logical reasoning and presentation delivery are examples of skills. Organizations can often develop such skills in their people through training or by offering appropriate learning opportunities. **Knowledge** is a familiarity with information or facts that can be learned through experiences or education. A leader who displays a firm grasp of healthcare regulations and policies, employment law, or fundraising guidelines demonstrates knowledge. Finally, **traits**—perhaps the least tangible leadership attribute—are the feelings, attitudes, perceptions, and beliefs that a person displays. Traits describe qualities such as curiosity, impartiality, and empathy.

Now let's pull all those terms together, with an example of a nonprofit leader who partners with for-profit insurance companies to deliver a healthcare service. To demonstrate competency at this work, this leader would need certain *skills*—such as the ability to craft and deliver compelling sales pitches to potential insurance partners. To be credible, she would need to demonstrate *knowledge*— such as an understanding of the motivations of for-profit businesses and familiarity with the competitive position and business models of insurance companies. And she would do this work most effectively by making the appropriate impression on the people she engaged with on the job, which is to say by displaying certain

traits—in this case a polished, businesslike manner of interaction with colleagues, partners, and other leaders.

Why does this matter? Competencies, and their underlying behaviors, are generally not specific enough to help one think through how to help future leaders develop or acquire what they will need to succeed. One has to get to the level of skills, knowledge, and traits to think through development plans for individuals or hiring needs where gaps can't be filled.

GuideStar: Reevaluating Needs after a Change in Course

GuideStar faced an inflection point when it changed its funding model to one based primarily on fees for services. Changing the model meant changing the culture, as well, toward a more market-driven culture of a for-profit business. GuideStar realized that it needed a team that was committed to the mission but also had skills and experience in meeting the needs of customers. "It wasn't a question of either-or, for-profit or nonprofit," said Debra Snider, GuideStar's vice president for operations. "We needed both. [But] that [still] meant attitudes had to change."

To help bring about that change, GuideStar brought in marketing and sales professionals from private-sector businesses. Their job wasn't just to rethink GuideStar's revenue-generating operations. They also served as role models who taught by example the customer and market focus that would enable the organization to successfully execute its new, customer-centric operating model. The infusion of new competencies had its intended effect: By the end of 2011, earned income made up nearly 100 percent of GuideStar's revenue. Foundation funding supported only special projects and the development of new business lines.

GuideStar's transition prompted it to ask what new competencies its team needed to develop. In the sidebar "Questions to Ask When Assessing Future Leadership Needs," you'll find a list of questions that can help your senior leadership team start thinking about leadership talent, succession, and competency gaps.

Your organization may be embarking on a change in course that raises similar questions. How your organization answers those questions can profoundly influence its leadership development efforts. To increase your odds of successful execution it is important to answer the questions early on and in as much detail as possible. We have observed that when nonprofits fail to go deep enough when linking changes in strategy or business model to leadership, they struggle to define the specific activities and assignments that will instill the necessary attributes in their future leaders. Problems most commonly arise when nonprofits:

- fail to specify in sufficient detail how their business models 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, such as "the ability to work productively with others," rather than on the specific behaviors needed to successfully execute the organization's strategy. For example, a nonprofit organization that plans to enter into a commercial partnership to deliver a new program doesn't simply need leaders who can work productively with its partner. It needs leaders who understand what the partner hopes to gain from the relationship and who can frame a discussion of the program in terms of the value it can create for the partner. By going into this sort of depth when considering their leadership needs, organizations can provide developing leaders with the underlying skills and experiences that would enable the behaviors that the strategy requires.

Two nonprofits, Endeavor and CARE USA, illustrate the value of a considered, detailed approach to reassessing leadership development in light of a business-model change. Both organizations have embarked on collaborations, which many nonprofit leaders and social sector experts have told us will be critical to the future effectiveness of nonprofits. Their experiences illustrate a crucial point about collaborations: They come in a wide variety of shapes and sizes. One form of collaboration is to ally with another nonprofit to deliver a program. Another is to join or lead a coalition of multiple stakeholders. Partnering with a government agency or for-profit company is yet another type of collaboration. Merging with another nonprofit is still another. And each type of collaboration requires different leadership behaviors for success.

Endeavor and CARE USA are pursuing collaborations that on the surface appear similar. Both organizations are forging partnerships with local organizations. But those partnerships are built on very different business models. The result is that their leadership requirements differ accordingly.

Two Different Collaborations, Two Different Sets of Leadership Needs

Endeavor, which selects and mentors high-impact entrepreneurs from around the world to help grow their businesses, has collaborated with Abraaj Capital, a leading private equity firm in the Arab Gulf region, since 2010. The experience has enabled Endeavor to specify that its future leaders need to understand the needs and marketing strategies of this partner.

On the other hand, CARE, a leading humanitarian organization that fights global poverty, has learned through its work with local nongovernmental organizations 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.

How can organizations reach this level of specificity *before* they implement a new model? We believe that by thinking ahead in a systematic fashion, they can ensure a snug fit between strategy and future leadership needs and development.

Tying Leadership Development to Strategy: A How-to

To facilitate the work of thinking ahead, we recommend that nonprofits engage in a process that we have developed and used with several clients. It helps them prepare for a significant change in strategy or business model and craft a leadership development plan to address the change. The process is guided by the answers an organization gives to four sets of questions:

- **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 to do these things well? What skills, knowledge, and traits drive those behaviors?** (For more on the distinctions among behaviors (and competencies), skills, knowledge, and traits, see the sidebar, "Leadership Development Terms Defined.")

- **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?

Step 2: Assess the Potential of Your Staff (Current and Future Leaders) to Take On Greater Responsibility

Once your current leaders have mapped out your organization's future leadership needs, they're ready to take a step back and candidly consider whether members of the staff have the potential to move into leadership roles. At larger organizations, this talent review might include current leaders and their direct reports one or two levels below them in the hierarchy. Smaller organizations can broaden the review to include the entire staff.

Tool: On the next page, you'll find a Sample Performance-Potential Matrix used in many for-profit and some nonprofit organizations to structure conversations about employee potential and development needs.

Sample Performance-Potential Matrix

POTENTIAL			
High	May be new to role; ensure support is available May be in wrong role; consider reassignment	Continue to develop in current role; consider providing test assignment in more senior role	Consider providing significant new assignments or reassign to a more senior role
Growth	May be in the wrong role or at the wrong level; consider providing test assignment in different role	Continue to develop in current role	Gradually expand current role
Limited	Consider replacing if support has not improved performance	Continue to develop in current role; periodically reassess potential for growth	Retain in current role; periodically reassess potential for growth
	Below expectations	**Meets expectations**	**Exceeds expectations**
	PERFORMANCE		

Source: Kemp & Watson, Omidyar Network

The matrix draws on both past performance and senior leadership's judgment about an employee's potential to take on greater leadership responsibility, plotting both evaluations on a two-dimensional graph. It then highlights potential next steps related to growth and development. Obviously, this assessment isn't an exact science. But it

is possible for you and your team to make an informed judgment about staff trajectories that takes into account your organization's unique culture and style of working, as well as its future leadership needs. We can offer some general guidance on using this tool to extract valuable information about your staff's potential.

To plot performance along the horizontal axis, determine whether an employee is performing below, at, or above expectations in his or her current role. That means that your organization needs to have in place clear criteria regarding performance expectations and a regular practice of performance assessment. This will allow you to place the employee in the appropriate column along the axis.

Then consider whether the employee is likely to succeed in a more significant role. Again, doing this well requires clear, agreed-upon criteria. These criteria, like those measuring current performance, will vary from one organization to the next. But it's helpful to consider more than sheer ability. We recommend that you also take into account the employee's career aspirations and level of engagement in your organization's mission and activities. (For more on how to assess potential, see the sidebar "What 'Leadership Potential' Really Means," which adapts the Corporate Leadership Council's suggested definition of potential to a nonprofit setting.) In other words, an individual's placement along the vertical axis isn't simply a question of whether he or she could take on a greater leadership role. Consider whether the individual wants a greater role and is likely to remain with your organization. That judgment will determine in which row you'll place the employee along the vertical axis.

What "Leadership Potential" Really Means

The term "leadership potential," at first glance, can seem too subjective to be useful. But the Corporate Leadership Council has developed a detailed model of high potential that we have modified for use in the nonprofit sector. (Our main modification was to deemphasize the motivating power of purely financial rewards.) This model can help organizations identify the most promising internal candidates to fill their leadership pipelines. High potential, according to the Corporate Leadership Council, has three components: *aspiration*, *ability*, and *engagement*. The individuals who score high on all three dimensions are your organization's high-potential leadership candidates.

Aspiration is a term that captures the intensity of an individual's desire for:

- Results and recognition
- Advancement and influence
- Intrinsic (and, to a lesser extent, financial) rewards
- Work-life balance
- Overall job enjoyment

Employees with a strong desire for things like results, recognition, advancement, and influence—and willingness to make necessary trade-offs in other areas to get them—have the high aspirations that mark high-potential leadership candidates.

Ability. Of course, there's more to leadership potential than aspiration alone. High-potential individuals also display strong ability; that is, the combination of innate

characteristics and learned skills needed to carry out their day-to-day work.

- Innate characteristics include cognitive abilities and emotional intelligence; and

- Learned skills including technical, functional, and interpersonal skills acquired through classroom or on-the-job learning.

Engagement completes the high-potential triad. It consists of four elements:

- Emotional commitment: The extent to which employees value, believe in, and enjoy the organization where they work

- Rational commitment: The extent to which employees believe that staying with the organization is in their best interest

- Discretionary effort: The willingness of employees to "go the extra mile" for the organization

- Intent to stay: An employee's willingness to remain with the organization

Employees who score high on one or two dimensions of leadership potential can be valuable contributors to your organization. But it's the **employees who can put together the total package—aspiration, ability, and engagement**—who have the highest potential to rise to your organization's key leadership roles and succeed in them.

The Development Dialogue at Year Up

Year Up, which works with urban young adults to help them reach their full potential through professional careers and higher education, uses its own version of a performance-potential

matrix to review its staff members. Year Up's senior leadership team has been reviewing staff potential since its earliest days, when the team would meet in founder Gerald Chertavian's living room to discuss each staffer's development needs.

Now that the organization has grown, things are a bit more formal. Senior leaders meet annually with line managers to consider staff members' potential, with three purposes in mind. The first is to **help managers think more systematically about their teams' strengths and development needs and then to hold managers accountable for the progress of their team members**. Are a manager's direct reports moving up and to the right on the matrix over time? The answer helps senior leaders evaluate the manager's abilities as a talent developer. The meetings also **give managers, especially newcomers to the role, an opportunity to discuss staff development issues with their peers.**

The meeting's third purpose is to **help senior leaders create detailed development road maps for their direct reports and the organization**. This information supplements data gathered in performance reviews and in the regular development conversations that managers have with their direct reports. Year Up uses each person's location on the performance-potential matrix as a starting point for thinking about whether the person is in the right role and how to help the person move forward. Basic questions emerge: How can his or her manager (and other leaders) help the person grow and improve in the job? Is the employee ready for a new role or for a stretch assignment that will help him or her prepare for a role with greater responsibility?

Managers come to the meeting with initial assessments of their staff members, but those assessments aren't the last word. Other managers have a chance to offer input and correct any bias that might creep into the assessments. Many managers have an understandable tendency to rate

all their team members above average. Input from other managers and comparison against other departments' staff help leaders form a more rounded assessment and zero in on specific development needs. "Once the group gets talking, they eventually arrive at a common understanding," said Year Up Chief Operating Officer Sue Meehan. "It's a process of dynamic revision."

It's worth reiterating that a successful evaluation of leadership potential involves more than assessing a staff member's job performance and abilities. Managers and other leaders also need to gauge each employee's career aspirations and engagement, which contribute just as much to leadership potential as sheer ability. By being systematic about considering these often overlooked factors, organizations can get an accurate reading of their staff members' leadership potential. Organizations have various ways of gathering information about aspirations and engagement. GuideStar employees, for example, meet quarterly with their managers to discuss not just their current job performance but also their growth and development. Youth Villages, which provides services to emotionally troubled youth and their families, asks new hires whether they're interested in relocating or finding other career options within the Youth Villages network. The organization uses this information to identify staff to consider for positions at new sites and to assess its ability to staff new sites with existing employees. While there are many additional steps required to set up a new site, this process gives the Youth Villages expansion team a head start on assessing its future needs.

As helpful as these conversations can be to employees, they may be even more helpful to senior leaders, who can factor what they've learned from leadership potential assessments into their development planning. Sometimes they learn from the assessment process that internal development alone will not be enough to meet the organization's leadership needs.

Step 3: Create Your Plan A for What Leadership Teams within the Organization Will Look Like in Three Years

Given your future needs and your current staff, are you likely to have the leaders you need when you need them? Can you meet your needs through internal development or will you need to hire from outside the organization as well? One way to answer those questions is to prepare a Plan A, which can be described as a first draft of the future. As noted, we borrowed the concept and terminology from American Express Corp., where CEO Ken Chenault regularly asks senior leaders to develop leadership road maps for their departments or divisions. As the name suggests, Plan A doesn't attempt to be definitive—after all, every Plan A presupposes the need for a Plan B. But it represents senior leadership's best estimate of how the organization and its leadership needs are likely to change in the medium term, and it's subject to revision as new information becomes available.

Our advice is to create a Plan A that projects out three years, pulling together the information gathered in Steps 1 and 2. Again, these are to 1) define the critical leadership capacities needed to fulfill your organization's mission in the future and 2) assess the potential of your staff (current and future leaders) to take on greater responsibility. Ideally, your work in these steps will give you enough information to envision the team you will need and identify the people who are ready to step into leadership roles immediately as well as others who could be prepared to assume leadership roles in a few years' time, provided they develop certain competencies or meet specific development goals. These people might be referred to as "leadership candidates," and your Plan A is developed from that pool, as well as from external hires. In the following sidebar you'll see two exhibits, one listing a hypothetical organization's leadership candidates for various roles and

the other the Plan A developed, in part, from that list. Your leadership candidates list and Plan A may look something like this, though the specifics will change, depending on your organization's structure, strategy, and staff.

Of course, there's no guarantee that your Plan A will come to fruition. Elements of the plan will probably change with time, as candidates' aspirations change, new roles are added, or leaders unexpectedly depart. As a result, the plan will need periodic revisions—a morph to Plan B. But the revision process itself can be valuable, by revealing weak or nonexistent pipelines for certain roles, highlighting critical developmental needs, and clarifying what roles will have to be filled through external hires.

We wish to reiterate here a point we made in the introduction: The Plan A discipline is different in crucial respects from typical succession planning. Most succession planning discussions tend to focus on the present or near term, and they generally aim to maintain the status quo by filling existing roles with people whose competencies replicate, as closely as possible, those of current incumbents.

Plan A, by contrast, is future-oriented: It's a vision of how the organization's goals, activities, and strategy are likely to change over time, and how leadership competencies and roles will have to change to keep pace. Many aspects of the organization might not change at all. But if, for example, its business model evolves as GuideStar's did or if it expands its roster of services, the organization may need to create new roles or fill existing roles with leaders possessing different competencies. In such cases, a typical succession plan won't meet the organization's needs. Plan A, with its focus on the future, prompts leaders to think about how to develop or hire the people best-suited to lead a changed organization. When hockey star Wayne Gretzky was learning the game as a boy, his father, Walter, often told

him, "Skate where the puck's going, not where it's been." [8]
Plan A helps organizations skate where the puck is going.

Sample List of Leadership Candidates and Plan A

The following two exhibits express the vision of a hypothetical CEO for her senior leadership team in three years. The organization is growing rapidly and will need greater management capacity to achieve its goals. Five people currently report to the CEO, and she expects to add a CFO to the team within a year. She also anticipates that her chief development officer (CDO) will retire soon. Through the performance-potential conversations she has conducted, she has learned that her CDO believes that the manager in charge of individual giving is willing and able to take on greater responsibility. But the CDO also believes that the organization's emerging funding model will require this candidate to develop her skills with corporate and foundation donors, and implement a development metrics dashboard. The internal candidates for CFO, on the other hand, need several years of seasoning before they'll be ready to step up. Therefore, the organization will have to recruit a CFO from outside. There's one other key position up for grabs: This CEO does not have a COO. But one of her program directors has the potential to take on greater organization-wide operational responsibilities. If he does so successfully, he may be promoted to senior program director. (Note that this plan addresses an organization's senior-level leadership pipeline. But it's also adaptable to other levels of the organization and may be useful to department heads as well as CEOs.)

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8 McKenzie, Bob (1999). "Walter's World." In Dryden, Steve. *Total Gretzky: The Magic, The Legend, The Numbers.* McClelland & Stewart Inc., Toronto.

Sample leadership candidates list

Key Role & Current Leader	Leadership Candidates	Year Ready (est.)
Jane Michaels **Executive Director**	1) George Mendoza **Program Director**	2017
	2) Sarah Miller **Program Director**	TBD
Sarah Miller **Program Director**	1) Jack Underwood **Program Manager**	2014
George Mendoza **Program Director**	1) Bianca Cruz **Sr. Program Manager**	2014
	2) Chris Herold **Program Manager**	2016
TBH 2014 **Sr. Program Director**	1) George Mendoza	2015
Tom Smith **Chief Development Officer**	1) Cynthia Reed **Manager of Individual Giving**	2014
	2) Sue Evans **Manager of Corporate Philanthropy**	2015
Ellen David **HR Director**	1) Melody Jackson **HR Manager**	2016
TBH 2013 **Chief Financial Officer**	1) Frank Vasquez **Sr. Finance Analyst**	2016
	2) Bethany Harrison **Finance Analyst**	TBD

Sample Plan A

Key Role	2013	2014	2015	Comment
Executive Director	Jane Michaels	Jane Michaels	Jane Michaels	No change.
Sr. Program Director	n/a	n/a	George Mendoza	George should take on additional operational roles across 2013-14; if he delivers, he will move into this Sr. Program Director role in 2015, continuing to oversee the program area as well as add further organizational responsibilities to his portfolio.
Program Director	George Mendoza	George Mendoza	n/a	If George is promoted, this role will be replaced by the new Sr. Program Director role in 2015.
Program Director	Sarah Miller	Sarah Miller	Sarah Miller	No change.
Chief Development Officer	Tom Smith	Cynthia Reed	Cynthia Reed	Cynthia should use 2013 to build her skills with corporate and foundation donors, and implement a development metrics dashboard; if she delivers, she will be ready to move into the CDO role.
HR Director	Ellen David	Ellen David	Ellen David	No change.
Chief Financial Officer	TBH in 2013	TBH in 2013	TBH in 2013	TBD – This will likely be an external hire, due to the junior finance bench.

Source: Adapted from American Express Corp. template

Why You Need a Communications Strategy

Organizations undertaking leadership assessment and planning for the first time will want to think carefully about how to talk about the process within the organization. Should potential candidates be notified that they're being considered for future leadership roles? What information should be shared with employees who are not considered high-potential? What information should be shared with the organization as a whole, and what should be held in confidence by senior leadership, managers, and individual employees? Without recommending any particular course of action, we strongly suggest that senior leaders develop a communications strategy that takes into consideration the culture of their organization before they embark upon the leadership assessment process, beginning with a clear statement of the goals of the planning process.

Questions to be posed include: What is the organization hoping to achieve? To reach those goals, who must be engaged and how? What will people want to know about the process, and where are they likely to direct their questions? Given the sensitivity of these issues, it's important for senior leaders to understand the answers to these questions thoroughly before they engage in related conversations with employees. Organizations where such conversations are culturally ingrained have a head start when formulating their communications strategy.

Get the Ball Rolling: Understanding Your Future Needs

Tips for those at an early stage...

Gather your senior team for a once-a-year offsite meeting to discuss the organization's future; use this input to create a Plan A for the senior team:

- Start with a discussion of where the organization is going and what the likely leadership needs will be in three years or so.

- Use the performance-potential matrix described in this chapter to assess the team's direct reports.

- Use the information from this discussion, together with your one-on-one conversations with senior team members, to create a Plan A for the senior team.

- Update your Plan A annually and share it with the board.

...and at a more advanced stage

Ask senior team members to create Plan As for their departments:

- Think about how the department's mandate is likely to evolve over time and the new capabilities that will be needed.

- Assess the potential of staff to grow into those roles using criteria such as each individual's ability, engagement, and aspirations.

- Include the preparation of these plans in senior team members' annual goals and hold them accountable for creating them.

How the Nature Conservancy Talks about Development

The Nature Conservancy (TNC), a global organization dedicated to protecting and conserving ecologically important lands and waters, has a carefully crafted communications strategy for its development conversations. It asks leaders in each of its regions to identify succession candidates among its employees—people with "the ability, aspiration, and engagement to rise to, and succeed in, more senior, critical positions." Nothing is secret about this process: Employees across the organization are aware of the ongoing selection process and of the criteria for selection.

The organization makes sure that every employee knows that all employees are entitled to professional development, whether it takes the form of leadership development or of training in functional skills. Succession candidacy, in other words, is just one of several pathways to professional growth. And succession candidates are made aware that their candidacy isn't a permanent designation—it can change over time, depending on the candidate's aspirations, performance, and engagement, as well as the organization's overall goals.

Conversations between managers and their reports play a crucial role in the selection and development process. Managers of potential succession candidates conduct formal conversations aimed at gauging the employee's aspirations and willingness to relocate, take on new assignments, and acquire new competencies. For example, TNC believes that these qualities spell the difference between employees with high ability and those with high potential—that is, between those who are strong performers in their current roles and those who have the potential to take on more responsibility. Individuals selected as succession candidates receive special support and opportunities, such as new assignments and participation in TNC's global training programs, but they also face heightened expectations. They know their advancement

depends on their continued high performance and willingness to take on stretch assignments and relocate, if necessary.

TNC believes it's just as important to communicate with people not selected as succession candidates. Managers talk to these employees to address any concerns about their future with the organization and to map out alternative development plans and career opportunities. TNC wants its employees to understand that succession candidacy isn't the only way to grow within the organization.

TNC's communications strategy incorporates some of the best leadership development practices identified by the Corporate Leadership Council. For example, TNC emphasizes frequent conversations that don't just discuss current job performance but also encompass career potential and career aspirations. These conversations, the Corporate Leadership Council has found, are an effective way to deepen employees' engagement in their own development and reinforce the sense that they have a meaningful future with the organization.

These conversations also help TNC's leaders keep pace with the changing goals and aspirations of the organization's employees. Employee aspirations, after all, are neither uniform nor static. Not everyone wants to be a CEO or is willing to relocate. Some people may even want to slow down due to changes in their private lives. Others may need time to mature and settle into their current roles before setting their sights on advancement. The conversations are also a necessary reminder to employees that candidacy for a leadership position guarantees nothing—advancement is contingent on continued high performance and development.

To be sure, these conversations can be difficult—it isn't easy for an employee to hear that his or her performance does not meet expectations or that he or she appears to lack the ability to advance in the organization. And it isn't easy for managers

to deliver bad news. Many managers will need guidance and coaching to keep such conversations constructive and handle the emotions they can stir up. But as difficult as these conversations can be, they're also necessary. By regularly checking in with employees on their performance and development, managers can avoid unpleasant surprises and address potential roadblocks to advancement while there is still time to address them.

Building a Diverse Team to Address Future Needs

Many nonprofits are attempting to build greater cultural and demographic diversity in their senior ranks—not just because it's the right thing to do, but because they believe diversity at the top is critical to their ability to serve diverse constituents and to empower diverse communities. In the words of one senior leader, "Our movement is rooted in issues of class and race...our leaders have to be diverse to sort this out."

How nonprofits define diversity varies depending on their mission and context. Those focused on social justice within the United States, for example, are often seeking to develop a more racially and ethnically diverse set of leaders, including those from disadvantaged communities. Global NGOs are more likely to wrestle with questions of expatriate versus in-country representation. Both groups may find that they have fewer women at senior levels or in certain types of roles than they would like.

When executed well, all the processes discussed in this guide can contribute to building a diverse leadership team, but the process of understanding future needs,

described in this chapter, is key to getting it right. Each step can help your organization go about building a diverse team with a clearly defined strategic intent.

- When you engage in the first step of this process, "defining the critical leadership capabilities required for the future," you can make a detailed statement of your diversity needs, laying out what capabilities are needed to succeed, in what roles, and in what time frame.

- When assessing potential in the second step, you have an opportunity to identify where you are on track, where you need to step up development efforts to prepare diverse internal candidates for future leadership roles, and what gaps need to be filled externally.

- In the third step, developing Plan A, a vision is set for having the right leaders in key roles.

From one step to the next, your organization will be able to develop, refine, and update its diversity plan.

As you build a diverse team of leaders, the processes described in other chapters will be relevant as well. In 2011, the National Human Services Assembly (NHSA) commissioned a study to identify practices increasing ethnic and racial diversity of senior management within Assembly member organizations. The study's findings underscore the value of succession planning. In the NHSA's words, "organizations that bring diversity into succession planning give themselves an opportunity to course correct and bring talent into their leadership pipeline." The study also recommended several actions that closely echo the steps discussed in this guide:

- CEOs and boards who make a business case for diversity
- Performance measurement systems that establish clear goals
- Mentoring to support diverse talent
- Accountability systems that hold senior leaders accountable for results

We are not implying that developing a diverse senior team is no different than building any other set of competencies in the organization. All over the world, we see that barriers to equity are deeply entrenched and slow to fall, and the process of increasing diversity will likely be more complex than any effort to build new functional skills or add new positions to the organization. But for nonprofits that have identified diverse leadership as mission-critical, the processes in this guide should serve as a strong foundation for progress.

For more on the topic of diverse talent in the nonprofit sector and a complete list of the NHSA's recommendations, see the NHSA's "Developing Senior Management Diversity" and Commongood Careers & Level Playing Field Institute's "The Voice of Nonprofit Talent: Perceptions of Diversity in the Workplace."

The Rest of the Story

You've had long days before, but this was a doozy. As you reflect in your office after the meeting, you take stock of all you and your team have accomplished. You have mapped out the next three years for your organization and come to a pretty fair estimate of your changing leadership needs. The members of your team came prepared with a Plan A for their departments, assessing their staffs' potential to fill the leadership gaps you've identified. You were surprised at how much discussion the assessments generated and how widely the assessments of some individuals differed, at least at first. But it was actually kind of inspiring to see people arrive at a consensus once they had talked through their concerns. And you know that the team will get better at these conversations over time and with practice.

To cap off all your efforts, you were able to begin revising each team member's Plan A, and have gained an overall view of the changes ahead for the organization and the leadership competencies you'll need to bring those changes about. Now all you have to do is work with your people to develop those competencies. That's the next big discussion.