

BRIEFING PAPER

TOPIC

8

## How Can Grantmakers Focus on Nonprofit Talent to Grow Impact?

REFRAMING THE CONVERSATION:  
A GEO BRIEFING PAPER SERIES ON GROWING SOCIAL IMPACT

*The nonprofit organization Year Up started in 2000 with a staff of four. In its inaugural year, it enrolled 22 students in a 12-month program in Boston aimed at connecting them to meaningful careers and higher education.*

*Fast-forward to the present, and Year Up serves more than 1,500 young adults per year in nine cities across the country. Its national and local offices employ more than 250 staff members. The program has been hailed by business leaders, economists and presidents as a model for addressing the “opportunity gap” facing underserved urban youth.*

*Ask Founder and CEO Gerald Chertavian how Year Up was able to grow its impact, and he points to one thing: talent. “Successful expansion is based mostly on finding and developing the right human capital,” he said.*

An organization’s capacity to navigate the unpredictable scaling process successfully depends largely on its people. Whether the organization is expanding; replicating a program; or spreading an idea, innovation, new technology or public policy, inevitably the talent within

and around the organization is the engine that drives it forward to achieve better and more results. In fact, when identifying the competencies necessary for effective scaling, Taproot Foundation pointed to strong leadership, effective talent management and an outcomes orientation as the three most critical.<sup>1</sup>

These findings align with management guru Jim Collins’ advice that organizations should think first about who, then about what when setting vision and direction.<sup>2</sup> The challenge for nonprofits is not just to find talented leaders who can steer their organizations to new levels of performance and reach, but also to ensure that organizations have strong staff, volunteer and board teams, and robust talent strategies and systems. How can grantmakers support and encourage a strong talent and human capital focus that allows nonprofits to best navigate and succeed in the scaling process? This paper examines the areas of focus and action items for grantmakers seeking to support nonprofits in this arena.

<sup>1</sup> Aaron Hurst, “Proven Levers to Scale Impact” (presentation at GEO National Conference, Seattle, Washington, March 12 – 14, 2012).

<sup>2</sup> Jim Collins, *Good to Great: Why Some Companies Make the Leap ... and Others Don't* (New York: HarperBusiness, 2001).

## WHY TALENT MATTERS

## TO SCALING

For the purposes of this paper, *talent management* refers to the systems and processes an organization has in place to effectively attract, hire, onboard, engage, develop and reward the people who will help an organization achieve its mission and, in the case of a scaling organization, enable it to attain better and more results.

Nonprofits in the U.S. employ approximately 10 percent of all workers across the nation.<sup>3</sup> Despite the size of the sector's workforce, studies indicate that nonprofits devote less attention to talent and human capital management relative to their for-profit peers. A 2008 survey of emerging nonprofit leaders found that 55 percent believed they needed to leave their organizations in order to advance in their careers; the frequency for people of color was 60 percent.<sup>4</sup> In a 2011 survey of over 2,000 nonprofit employees, more than a third felt strongly that there were not opportunities for them in the future of their organization and that their organization did not take an interest in their career development.<sup>5</sup>

Without investment in and subsequent retention of the talent that drives scaling, the ability to grow impact is put at risk.

The lack of attention to talent issues among nonprofits results from a number of factors. Particularly significant are the insufficient resources for organizational infrastructure — the people, technology and systems needed to fuel an organization's sustainability and success. As donors and charity watchdog groups assess nonprofits according to levels of overhead and amount spent on administration and fundraising, and as many grantmakers continue to emphasize support for specific projects rather than an organization's broader operations, they are "leaving nonprofits so hungry for decent infrastructure that they can barely function as organizations — let alone serve their beneficiaries." As a result, nonprofits "are unable to pay competitive salaries for qualified specialists, and ... make do with hires who lack the necessary experience or expertise. Similarly, many organizations that limit their investment in staff training find it difficult to develop a strong pipeline of senior leaders."<sup>6</sup>

### About This Paper Series

This briefing paper, co-authored by Dara Major, William H. Woodwell Jr. and Pratchi Shah, is the eighth and final topic in a series from GEO's *Scaling What Works* initiative. The collection pulls together the best thinking, research and actionable approaches to scaling impact, as well as provides additional resources for grantmakers that would like to dive deeper into paper concepts and questions.

Individual papers delve into topics such as understanding approaches to scale, developing grantee evaluative capacity, structuring and financing scale, and more.

To access the entire series and learn more about *Scaling What Works* and how you can get involved, please visit [www.scalingwhatworks.org](http://www.scalingwhatworks.org).

<sup>3</sup> Lester M. Salamon, S. Wojciech Sokolowski and Stephanie L. Geller, "Holding the Fort: Nonprofit Employment During a Decade of Turmoil," Johns Hopkins Center for Civil Society Studies, 2012, 2.

<sup>4</sup> Marla Cornelius, Patrick Corvington and Albert Ruesga, "Ready to Lead? Next Generation Leaders Speak Out," The Annie E. Casey Foundation, The Eugene and Agnes E. Meyer Foundation, Idealist.org, CompassPoint Nonprofit Services, 2008, 22.

<sup>5</sup> Opportunity Knocks, "Engaging the Nonprofit Workforce: Mission, Management and Emotion," 2011, 12.

<sup>6</sup> Ann Goggins Gregory and Don Howard, "The Nonprofit Starvation Cycle," *Stanford Social Innovation Review* (Fall 2009): 49, 51.

This overall lack of investment in talent can be even more of a problem for nonprofits seeking to grow their impact. Successful scaling requires a specific set of skills and capabilities beyond those required for day-to-day effective management. To reach higher levels of impact, nonprofits often are expected to implement new management, financial, technology and staffing systems. Internally, they must also develop and refine their evidence base, hone their business savvy, strengthen their public policy and regulatory expertise, and prepare to meet new levels of accountability. Externally, they must forge new relationships, adapt to a changing environment and collaborate with widening circles of stakeholders. They must rise to these challenges while maintaining, if not improving, program quality. Talent then becomes paramount if scaling organizations are to excel in all these areas.

To Year Up's Chertavian this makes sense: "It would be irresponsible to try and grow a business without investing in its people. Why should we expect nonprofits to be any different?"

To position organizations for success in the scaling process, grantmakers must shift from thinking of talent management as an administrative function to seeing it as a strategic asset and imperative.

As pointed out by Dr. Sanjeev Arora, Ashoka Globalizer Fellow and director of the University of New Mexico's Project ECHO, "[You] need key staff ... Organization[s] are only as good as the people in them." To ensure a scaling nonprofit has the talent and systems needed to succeed and thrive, grantmakers should consider focusing on engaging in conversations with grantees about talent issues, supporting talent management and developing collective leadership capacity.

## CREATE DIALOGUE

### ABOUT TALENT MANAGEMENT

Grantmakers should engage in substantive and regular conversations with all grantees about the ways in which they proactively focus on talent issues, but especially those grantees seeking to grow their impact.

This may entail taking simple steps, such as explicitly addressing talent management issues in requests for proposals, grant-reporting guidelines and other materials for applicants and grantees. This can help establish that leadership and talent issues are a priority for the grantmaker, while providing clues and insights about what kind of support organizations may need.

In assessing an organization's focus on talent, grantmakers should consider the entire recruitment, employment, development and retention continuum implemented by the organization. The following are among the key questions that can guide discussions with nonprofits about this area:

#### Strategy and Prioritization

1. Where does talent management rank among the organization's priorities?
2. Does the organization have a holistic strategy to attract, retain and motivate the level of exemplary talent needed now and for future scaling efforts? If not, what kind of support does it need to develop and implement such a strategy? How involved is the organization's board in these decisions?
3. Does the organization have sound succession plans in place in the event of the loss of its CEO or other senior leaders?
4. To what extent is the organization pursuing all aspects of diversity in its board and staff (racial, ethnic, gender, sexual orientation, etc.)? To what extent is the organization continuously considering the relationship of diversity to its mission, impact and constituencies?

## Investment

5. How does the organization invest in developing the talent of staff, board and other volunteers? To what extent is it constrained in making these investments by the types of funding it receives?
6. Is the organization investing in professional development of staff other than the CEO and senior leadership?

## Implementation

7. Are organization leaders and potential successors being trained around both internal issues and external issues and opportunities (e.g., creating partnerships, building networks, etc.)?
8. Does the organization have a philosophy, structure and process for rewarding high performance toward achieving its mission and plans for scale?
9. Is the organization's leadership structure sufficient to manage the challenges of growth and scale — that is, are there systems and structures in place to ensure that the CEO can delegate authority and responsibility to others? Are there systems and processes in place to share information, make decisions and collaborate across a larger staff?
10. Does the organization measure and review its progress and performance with regard to talent management?

*It should be noted that the goal in raising these issues is not to penalize those organizations that might not be able to dedicate sufficient attention to talent, but to get a better sense of the issues and technical assistance needs and how funders can help.*

The conversations can happen at any time, but they are most beneficial when grantmakers are first engaging with applicants for funding — thereby establishing an environment of openness and a focus on learning. As pointed out by Jill Vialet, CEO and founder of Playworks, a national nonprofit dedicated to increasing opportunities for children to participate in fun physical activities, “It really comes down to developing an open and transparent relationship with grantees so that grantees feel free to talk about their challenges and real needs.”

## PROACTIVELY SUPPORT

## TALENT MANAGEMENT

While helpful in shining a spotlight on the issue, dialogue alone is not enough. Grantmakers who want to support talent development for effective scale should also provide nonprofits with backing to invest in the talent systems needed to grow impact over time.

Specific forms of support will depend on the organization's needs and scaling methods. Support can include the following:

### Assessment and Customized Solutions

While talent-focused discussions will help unearth issues and areas of focus, independent assessment will help organizations identify the specific skill and knowledge gaps around talent infrastructure needed to scale. Organization-specific information can also help grantmakers to identify where their investment in talent will be most critical and helpful in the scaling process.

For example, talent and leadership development was one area of focus for the James Irvine Foundation in its work with a group of organizations seeking to involve underrepresented Californians in public policy decision-making. With management support from TCC Group, Irvine grantees completed TCC's Core Capacities Assessment Tool. CCAT results provided data regarding the organizations' strengths and development areas, including those around leadership and talent. Each grantee organization then participated in a series of trainings and networking opportunities oriented to its specific capacity needs.<sup>7</sup>

<sup>7</sup> For more information about the James Irvine Foundation, visit [www.irvine.org/grantmaking/our-programs/californiademocracy/civicengagement](http://www.irvine.org/grantmaking/our-programs/californiademocracy/civicengagement).

## Creation of a Strong Talent Management Infrastructure

In its research on how nonprofits scale organizational impact, Taproot Foundation points to strong talent management as a core competency area, particularly for nonprofits scaling by replicating operations, expanding capacity through volunteers or increasing revenue through earned income.<sup>8</sup> This means that grantmakers can support scaling nonprofits by helping them to build a strong talent management infrastructure that consists of the systems and processes to attract, hire, onboard, engage, reward and develop staff. For nonprofits that are working to scale impact, their talent management infrastructure must be able to retain the people that move the organization forward, and it must be responsive to shifts in the organization's talent needs as it goes to scale. Playworks' Violet notes this shift in her own organization:

“Prior to our decision to go to scale, Playworks was well served by staff made up of generalists who were willing to do whatever it took. Our growth required greater functional expertise and specialization.”

Grantmakers can help grantees establish flexible and responsive talent management systems and processes by providing unrestricted general operating support, creating line items in grants that reserve a set amount (or percentage) specifically for this work or investing in support organizations that can help put these systems and processes in place.

## Building of Critical Skill Sets

Skill sets related to sound financial management, internal leadership and fund development are necessary to sustain nonprofit organizations.<sup>9</sup> As organizations scale their impact, there is a greater need for strong expertise in these areas and others, including service delivery skills as program services are expanded, networking and strategic alliance skills as relationships are broadened, deep understanding of communities as those served widen, and knowledge and skills about the scaling process itself. Organizations must also be adept at information sharing and contingency planning. Grantmakers who understand what skill sets are most needed for scaling efforts can help provide and/or fund the technical assistance and thought leadership needed to guide hiring and training efforts and capture and strengthen the skill sets needed to move the organization forward.

The Evelyn and Walter Haas, Jr. Fund has made strengthening nonprofit leadership a key grantmaking priority through its Flexible Leadership Awards program. The grant awards, which are renewed over three years, support a variety of leadership development activities, such as executive coaching, board development, training and senior team development. A “plan consultant” works with each nonprofit in the program to identify its specific leadership-related needs and goals and to develop and implement a plan for using the award funds.<sup>10</sup>

Grantmakers can also encourage nonprofits to leverage internal talent systems to continuously assess, develop and reward staff members, increasing the likelihood of retaining them and growing them into leaders. Facilitating growth and leadership development means reaching beyond traditional “training” methods, such as classrooms and conferences. Coaching, on-the-job training, stretch assignments and mentoring should all be part of the talent development portfolio.<sup>11</sup>

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<sup>8</sup> Hurst, “Proven Levers to Scale Impact.”

<sup>9</sup> Peter York, “The Sustainability Formula: How Nonprofit Organizations Can Thrive in the Emerging Economy,” TCC Group, 2009.

<sup>10</sup> For more information about the Flexible Leadership Awards Program, visit [www.haasjr.org](http://www.haasjr.org).

<sup>11</sup> For more on the topic of coaching and leadership, see the GEO publications *Investing in Leadership, Volume 2: Inspiration and Ideas From Philanthropy's Latest Frontier* (2006), and *Coaching and Philanthropy: An Action Guide for Grantmakers* (2010). Available at [www.geofunders.org](http://www.geofunders.org).

## DEVELOP COLLECTIVE

## LEADERSHIP CAPACITY

When nonprofits and their funders think about leadership and talent development, they often think about supporting CEOs. While the skills and the leadership ability of the CEO are crucial to an organization's success, it is equally important to pay attention to the people beyond the founder or CEO and top leadership team — the board and staff members whose expertise and skills drive the organization's growth and impact over time. Many start-up nonprofits are led by founder CEOs who have the vision and the drive to put an organization and its ideas on the map. However, those same CEOs may not have the necessary skills to take an organization to the next level of impact or growth on their own.

By providing support for everything from strategic planning and succession planning to search services and leadership development, grantmakers can help organizations look beyond the existing formal leaders and lay the groundwork for the kind of shared leadership that leads to better and more results.

Jon McPhedran Waitzer and Roshan Paul note that, as part of the scaling process, “the role of the founder must change. At a certain point, founders must empower their team to lead operations, and institutionalize implicit knowledge to focus time and energy on spreading the vision.”<sup>12</sup>

Playworks' Violet shared: “Everyone and their dog wants to invest in my training and development as a CEO, but what has really made Playworks successful is our leadership team.” Violet said the most important thing she realized

in the course of her organization's rapid growth (it now operates in 300 schools in 23 U.S. cities) was that she needed help and expertise in critical areas ranging from human resources and finance to basic management.

“I am an effective social entrepreneur, but I am not a manager,” Violet acknowledged. After she started discussions with her board of directors about the challenges of growth and the need to create a senior team to help steer the organization's expansion, the board appointed her as CEO, with a chief operations officer and a chief financial officer reporting to her. Playworks' senior team now also includes individuals with responsibility for IT, human resources, fundraising, evaluation and more. In addition, each of the 23 cities where Playworks operates programs has its own executive director.

According to GEO President and CEO Kathleen Enright: “Most high-performing nonprofits are led by inspiring, visionary leaders. Leadership is a key ingredient for all efforts to grow impact. Yet the type of leadership the most effective social entrepreneurs are now exhibiting, and the approach that will insulate their organizations against dependence on a single person or idea, is a collective, facilitative and networked approach. Both individual and institutional donors can grow impact by supporting those organizations that are built to far outlast their founders.”<sup>13</sup>

Therefore, in addition to developing leadership capacity to manage the organization, grantmakers must help the organization develop emerging leaders' externally facing skills as well — those skills that allow them to forge partnerships, create collaborations, widen stakeholder circles and communicate publicly. In a 2008 article, Heather McLeod Grant and Leslie Crutchfield, authors of *Forces for Good: The Six Practices of High-Impact Nonprofits*, state, “Rather than viewing nonprofit leaders as the managers of enterprises, drawing on corporate models, it makes more sense to view them as being the hub at the center of a vast network of leaders.” After studying 12 high-impact nonprofits, Grant and Crutchfield asserted, “In fact, only by giving power away and empowering others do these groups develop networks and movements large enough to catalyze widespread social change.”<sup>14</sup>

<sup>12</sup> Jon McPhedran Waitzer and Roshan Paul, “Scaling Social Impact: When Everybody Contributes, Everybody Wins,” *Innovations* (Spring 2011): 148.

<sup>13</sup> Kathleen Enright, “On Scale and Innovation in Philanthropy,” *Tactical Philanthropy Blog*, November, 3, 2010. Available at [www.tacticalphilanthropy.com/2010/11/on-scale-innovation-in-philanthropy](http://www.tacticalphilanthropy.com/2010/11/on-scale-innovation-in-philanthropy).

<sup>14</sup> Heather McLeod Grant and Leslie Crutchfield, “The Hub of Leadership: Lessons from the Social Sector,” *Leader to Leader* (Spring 2008): 45, 47.

Grantmakers can support organizations that are scaling by recognizing the importance of collective leadership capacity. As pointed out by the Meyer Foundation and CompassPoint, “Professional development plans should be integrated into all performance reviews — at every level — and adequate resources to pay for continuous skills and knowledge development should be prioritized during budgeting. [Because] by investing in the leadership development of all staff, a funder is investing in the capacity of an entire organization.”<sup>15</sup>

## WANT TO BE A GRANTMAKER

## THAT SUPPORTS TALENT

## DEVELOPMENT IN

## SCALING NONPROFITS?

To provide the most relevant talent-related support for organizations seeking to scale, grantmakers should focus holistically on talent management and skill development processes and practices, as they impact both current and future success.

**1. Engage grantees in substantive and regular conversations about the ways in which they focus on talent issues, especially those grantees seeking to grow their impact.** By considering the entire “talent continuum” within an organization, grantmakers can initiate a dialogue that focuses attention on talent needs related to mission and scaling capacity and identifies the organization’s talent issues, strengths and development areas.

### **2. Proactively support talent management efforts.**

Dialogue is a critical precursor to assessing an organization’s talent needs, but it alone is not enough. In order to grow grantees’ impact over time, grantmakers can make the following types of investment to strengthen an organization’s talent operations and infrastructure:

- a. Provide support to connect nonprofits with organizations that have the tools and expertise to conduct organizational assessments and develop customized solutions to strengthen capacity and knowledge in a targeted way.
- b. Support development of robust talent management systems and processes by providing unrestricted general operating support, creating line items in grants that reserve a set amount specifically for this work or by investing in support organizations that can help put these systems and processes in place.
- c. Ensure the necessary skill sets for successful scaling are present by helping to provide and/or fund the technical assistance and thought leadership needed to guide hiring and training efforts and capture and strengthen the skill sets needed to move the organization forward.

**3. Develop collective leadership capacity throughout the organization, ensuring it can scale effectively and embody the leadership skills unique to scaling organizations.** By providing support for everything from strategic planning and succession planning to search services and leadership development, grantmakers can help organizations look beyond the existing formal leaders and lay the groundwork for the kind of shared leadership that leads to better and more results.

<sup>15</sup> Marla Cornelius, “Daring to Lead 2011 Brief 2: Inside the Executive Director Job,” CompassPoint Nonprofit Services and the Meyer Foundation, 2011. Available at [daringtolead.org/wp-content/uploads/Daring-Brief-2-072611.pdf](http://daringtolead.org/wp-content/uploads/Daring-Brief-2-072611.pdf).



## About *Scaling What Works*

Launched in 2010, *Scaling What Works* is a multiyear learning initiative of Grantmakers for Effective Organizations, a thought leader for promoting grantee-centric philanthropic practices that lead to more effective results. With the support of a coalition of 22 funders, GEO aims to expand the number of grantmakers and public sector funders that are working together to broaden the impact of high-performing nonprofits. Through *Scaling What Works*, GEO offers training, networking opportunities and a host of tools and resources to better equip grantmakers to help the nonprofit organizations they support to plan, adapt and grow their impact in creating sustainable benefits for people, their communities and our planet.

For more about GEO and *Scaling What Works*, please visit [www.scalingwhatworks.org](http://www.scalingwhatworks.org).

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## ADDITIONAL RESOURCES

For additional resources on supporting talent development, check out the Useful Links area in the Resources section of our website: [www.scalingwhatworks.org](http://www.scalingwhatworks.org).

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