A Boardroom Guide to Organisational Capacity Building

'Overcoming the Management Deficit in Ireland's
Not-For-Profit Sector'

By Neil Pope

ABOUT THE AUTHOR

Neil Pope is a founding Director of 2into3. Neil has 25 years experience in the recruitment industry both in Ireland and internationally. This paper is based on his experience working as a senior manager in a public company that grew internationally from a scale of stg£62m to £1bn over a seven year period and almost 25 years experience as a professional recruiter. In addition, his past 15 years have been spent working to recruit senior managers for innovative and ambitious SMEs that are scaling and internationalising their businesses from Ireland and not-for-profit organisations seeking to develop their capacity for impacting on the development of civic society in Ireland.

In the not-for-profit sector, Neil is a volunteer and was previously a board member of a major charity tackling homelessness in Dublin.

EXECUTIVE SUMMARY

A not- for-profit's foremost duty is to fulfil its mission effectively. In most cases, it is also imperative for the not-for-profit to be able to consistently carry out its mission on a long-term basis, or in other words, to be sustainable. This vital link between an organisation's mission, effectiveness, and sustainability rests in its leaders, their ability to plan into the future, to put in place succession strategies and to deliver funding for long term sustainability.

Currently there are between 12,000[1] and 24,000[2] incorporated and unincorporated organisations operating as charities, not-for-profit organisations (NFPs) and voluntary groups in Ireland. Many of these were founded by lay people or social activists who saw a social need and sought a means to address it. These founders frequently had no formal training or organisational management experience. Rather, their initiative stemmed from a strongly held belief that they could offer more than or something different to, the larger more established agencies.

This belief and ability to 'go it alone' led to a proliferation of NFPs in Ireland with many dependent on one individual for their executive and one dominant income stream. Many of these organisations have reached a ceiling in their level of impact. The current political, economic and social climate has now forced the majority of Irish not-for profit organisations out of their development stagnation. The State, as a source, of funding is diminishing at a fast pace and the two main sources of philanthropic funding in Ireland are spend down foundations which are moving towards exit grants. Calls for greater levels of collaboration and improved efficiencies through the removal of duplicated resources have produced little outcome. It is suggested in this paper, that this stagnation is a direct result of low organisational maturity in the sector and a deficit in management capacity.

[1] The number of organisations issuing public regulatory data. INKEx report (2012), Irish Nonprofits: What do we know?

[2] In 2006, the Centre for Nonprofit Management in TCD estimated the size of the sector at around 24,000. This number included schools, trades unions, friendly societies, religious bodies and other unincorporated associations.

To help organisations forward plan, to understand where they are positioned in this current climate and how to take the appropriate action, the author uses organisational life cycle models. These models act as tools to illustrate to Boards of Management where their organisation is situated, where it needs to transition to, the nature of the change process required to get there and the requisite skills to navigate the challenges ahead.

The author challenges Boards of NFPs to steward leadership development in not-for-profits and to understand the role and limitations of the Chief Executive in leading the different stages of change towards long-term organisational sustainability and financial viability. It must be the Boards' charge to anticipate when leadership crises are likely to occur, forward plan and apply the organisational lifecycle model to chart a track for sustainability. Anticipating and using crisis to assess, plan and adjust the organisation helps prevent failure, accelerates the pace which an organisation becomes sustainable, preserves public confidence and institutional knowledge, helps develop a culture of efficiency and promotes innovation.

However in many NFPs, there is a lack of engagement with strong independent governance and a deficit in management with the knowhow to transform through the various organisational phases leading to sustainable scale. This is a challenge. Good management capability is in high demand and short supply and not-for-profit organisations must make themselves fit to compete with the commercial sector if they are to win the race for this much needed talent.

CAPACITY BUILDING & ORGANISATIONAL LIFE CYCLES

Background:

Organisational life cycles[3] provide a model for capacity building for NFPs which propose that over the course of time, organisations move through a fairly predictable sequence of developmental stages. The premise is that resources, requirements, opportunities, and threats both inside and outside the organisation will vary depending on the stage of development in which the NFP finds itself.

Typically NFPs move through four distinct 'build' phases. Each distinct phase builds impact and broadens engagement with external resources. Yet, each phase ends with its own distinct challenges/crises which, if not addressed, will stop the organisation from moving to the next phase in the impact of its mission.

The ability of not-for-profit leadership to recognise these critical phases is vital to the organisation's success. Armed with the knowledge of not-for-profit life cycle phases allows management and NFP boards to project future needs, make decisions proactively and anticipate challenges.

It is knowing and identifying each cycle correctly that will allow Board leadership to identify their place on the organisational map and any potential crises in advance, plan for each eventuality and

---

[3] Several models of organisation growth have been developed over years to explain how organisations grow and what challenges they encounter in different stages of their lifecycle. The first widely recognised model is by Larry E. Greiner, which was published in Harvard Business Review in 1972. He used five growth phases: growth through creativity; growth through direction; growth through delegation; growth through coordination; and growth through collaboration. Each growth stage encompassed an evolutionary phase ("prolonged periods of growth where no major upheaval occurs in organisation practices"), and a revolutionary phase ("periods of substantial turmoil in organisation life"). Since then people such as Adizes (1979) have followed his work and expanded the model for the commercial SMEs, whilst others such as Paul C Light (2004) have developed applications for the NFP sector.

ensure the organisation is prepared and equipped to move at a more consistent pace through the organisational stages whilst maintaining a capacity for innovation and preserving brand value and goodwill. It's also comforting to know that what NFPs are experiencing is normal and inevitable, that each phase has its ups and downs.

As an organisation moves through the developmental phases, changes in resources available, the nature and number of requirements, the opportunities, and the threats all exert pressure for change on organisational management.

Challenges:

One of the big challenges for NFP Boards is understanding where an organisation sits in the development lifecycle due to the lack of clear measures of improvement in organisational effectiveness. For Directors with experience of the commercial sector, the absence of trends in profit and shareholder value can make their grasp of how the NFP is performing anecdotal at best. For the NFP sector the nearest proxy measure for mission performance and organisational effectiveness is to survey the views of all staff. Most employees chose to work for NFPs because of the value they place in the mission served. Their job satisfaction or lack thereof is directly linked to perception of their employer's effective management of resources in addressing the mission. The commissioning of well-defined and anonymous staff satisfaction surveys is rarely carried out directly by Boards. Regularly, however, we see the symptoms of organisational failure being expressed in negative manifestations of employee satisfaction, with cases of bullying and harassment in the workplace being brought to public attention.

It usually takes years for these most corrosive symptoms to appear. Faced with a sense of isolation in the early days of organisational dysfunction created by stagnancy in development, good staff will simply leave and move to a better managed employer. Unfortunately for the service user in this situation, it is likely that they have no alternative provider and are stuck with an inefficient service increasingly delivered by disgruntled or disinterested staff.

Scenario I

Joe is a talented and experienced programme manager working for an international not-for-profit development organisation. His organisation's Board has held on to their structure and executive involvement for years. It has served its useful purpose, with no process for evaluation, rotation or development in place. The structure is the source of the long-serving Board Members' prestige and recognition.

The Board appoint Peter to be Chief Executive who is known and personally trusted but who lacks the competence to lead an organisation of international scale forward. As a result, Peter increasingly withdraws support for riskier and more innovative projects. Joe feels restricted from the contact he previously had with the Board and increasingly isolated in the field as decision-making slows down and appears more arbitrary. Joe and his team leave to join organisations where they feel their knowledge and skills are recognised and supported.

Scenario II

Paul is a teacher who aids a friend developing a not-for-profit whose aim is to address the support and advocacy needs for patients of a medical condition. They are both affected by this condition. Paul's friend is an inspiration; possessing extraordinary courage, natural sales flare and has extraordinary energy despite his condition. He is successful in securing significant grants that allow him to hire staff and develop a broad span of activities. A more formal Board is constituted with Paul and others who share a strong connection with the cause and the founder's vision. Two Consultant medics join the Board to support direction of campaigning and advocacy. However no organisational management expertise is contained on the Board and they fail to establish any succession plan for the Founding Executive Director. Tragically and unexpectedly the founder dies and Paul along with one or two members of the Board struggle to get to grips with the finances and are surprised to find cost commitments far exceed visible income for the years ahead. Whilst trying to maintain the confidence of funders, they collapse spending as far as possible and start the long search to find a Chief Executive who can turn the situation around.

Scenario III

John is a regional manager working for a nationally oriented social service not-for-profit, which has expanded based on its success in securing government funded service contracts. The organisation finds itself suffering on-going reductions in annual budget funding of its services and John along with all other managers are set ever tighter controls by head office aimed at cost reduction. John takes initiatives in an effort to increase local support for development of the services. He is disciplined when some of this fails and his costs exceed budget. John decides to leave the organisation and set up a new local not-for-profit addressing the same cause.

Each of these imagined scenarios contain themes we are familiar with in observing the sector, where once beacons of success hit periods of stormy turbulence. A better understanding of why and when these cycles occur and how to move through these periods with reputations and careers intact can be gained through the application of a model of organisational lifecycle development.

LIFECYCLE STAGES OF DEVELOPMENT IN A NOT-FOR-PROFIT ORGANISATION

Phase I: Common Purpose

Normally, the first Phase in the incubation of an organisation is the gathering of people through common interest, purpose or practice. These can be community groups, support bodies or appreciation societies where there is an exchange of knowledge, innovation and resources mainly within the group. For the most part these organisations are controlled by volunteers along informal and collective lines. The group's leaders are motivated to make improvements to their lives and those of their community. Everyone pitches in to get things done across fundraising and services. The organisation expands and grows because it is addressing a real need in the community and receives support accordingly.

Crisis 1

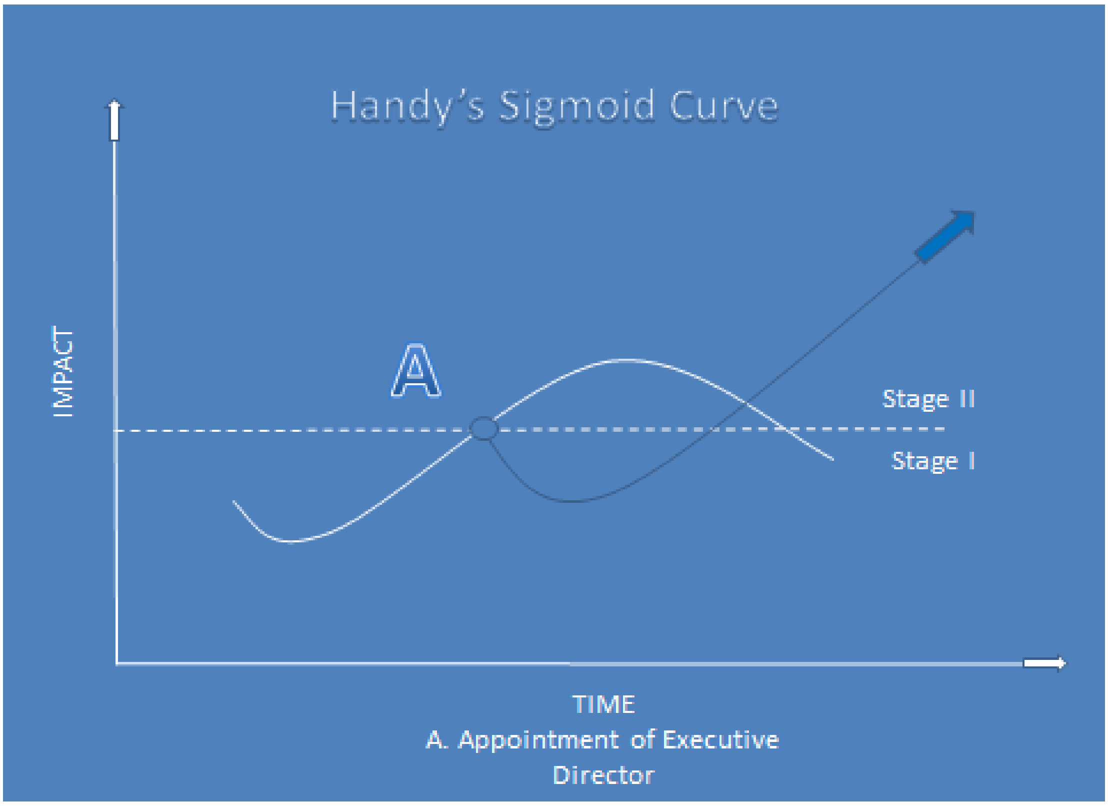
As it expands one or two staff may be added but with a pace of growth soon reaches a crisis of leadership, in direction and executive accountability. This Phase continues until a strong, energetic and ambitious leader emerges who is able to set a renewed vision and mission for the organisation, who can develop a strategic plan, allocate defined job responsibilities and differentiate executive and governance responsibilities for the Board.

Plateau 1

Exiting this Phase of crisis depends on the ability of the organisation to make the appropriate appointment of someone with entrepreneurial vision and strategic capability, the communication and media skills to raise awareness of the cause and engage a broader constituency of supporters, along with programme management and first line management skills. Transcending this first Phase crisis also crucially depends on the ability of the Board to release executive authority to the Director. Most organisations in the voluntary and community sector do not develop their capacity for impact beyond this stage of development due to the cost of investment in leadership. Those that have, frequently express how luck was the main factor in them finding a leader who was able to settle the stressful disputes that had arisen amongst the founders.

This cycle of investment, innovation, and renewed leadership vision is illustrated by Charles Handy in his use of the sigmoid curve[4] as a means of presenting the cycle of creative destruction and renewal in organisations.

Fig 1



[4] Handy in his 1994 book The Empty Raincoat suggests the sigmoid function represents the development of many naturally occurring complex processes including organisations. It is more commonly called the learning curve.

Phase II: Entrepreneurial leadership

When an exceptional individual is appointed to the leadership role they bring intelligence and insight to recognise the broader need and opportunity presented for the organisation. They have the ability to harness broader resources in order to achieve transformative change for the benefit of the group and the general public good. They will have the charisma to build a shared vision across the group, the creativity to develop a novel programme of work and have the temperament to extend awareness of their dream to win support from other likeminded people outside the group.

These leaders are the entrepreneurs who get society changing ideas off the ground. They are risk takers who do not seek reward by financial gain. They seek impact and are rewarded with high levels of recognition. These talented people offset the personal gains that would otherwise be available to them by seeking landmark breakthroughs that raise their voice above the din of the crowd. They usually are not interested in incremental improvement or step-by-step processes and quickly become bored if constrained to this focus. Their focus is firmly fixed at the visionary grand project level.

Crisis II

These risk-taking entrepreneurial leaders, however, tend to exert absolute control and as a result the organisations develop with very little delegated authority. The very thing that grew the organisation from Phase I to Phase II successfully, namely that charismatic and visionary leader, is most likely to be the single biggest issue stopping the organisation advancing to Phase III.

There is little focus on the development of succession management or broader capacity building throughout the organisation. Where managers are appointed it tends to be on the basis of personal trust and loyalty rather than competency. As more staff are added to the organisation the leaders time is increasingly spent dealing with bureaucratic tasks which they simply do not enjoy. Every decision must go through the leader and this sets the limit of the organisation's ability to develop impact beyond the capacity of this single individual. This is a crisis of delegation or autonomy.

This plateau stage is a crisis for both the organisation and leader. Are they prepared to increasingly spend time doing things they don't like doing? Are they prepared to give up control to others in order to extend impact? Are they the right person to be leading the organisation? If they were to leave, how likely is it that they would they find a cause with a position of the type they used to love so much?

In the commercial sector this exceptionally difficult executive leadership transition of ceding control to others is motivated by share ownership and the potential for wealth for founders and early stage leaders. There are very few examples of Executives successfully leading organisations on from Phase II to the next stage of development, even in the commercial sector. To do so requires an exceptional opportunity for broader impact (i.e. international expansion) and matching personal ambition. Even then, the dominance of the leader in the organisation will mean that no strong management will have been retained in the organisation to replace them.

A significant number of NFPs plateau at this point of development until the Executive Director retires, becomes incapacitated due to stress related illness, or a new Non-Executive Director triggers a Board intervention.

Plateau II

Because of the relative lack of competition, the perpetual structure, and lack of limited term executive contracts, we can see this plateau of development go on for years and sometimes decades in some NFP organisations. As time goes on the organisation becomes institutionalised around the personality of the leader, strangling opportunity for progressive innovation, efficiency and efficacy.

For many organisations the realisation of their vision requires the organisation to engage with and compete for resources in the whole community in addition to strategically aligned grant makers or likeminded civic innovators. That requires sophisticated marketing, communications and fundraising functions led by mature managers along with a functional organisational structure to support the programme scale of the organisation and the increasing importance of partnerships and alliances.

This step from specialist niche into the mainstream of broad public engagement is a far more difficult transition than the first. It is a landscape scattered with failure and acrimonious ‘personality clashes' between Chairperson and Executive Director and is marked with collateral damage to reputations and brands.

To prevent this situation it is imperative that the Phase II Executive Director is engaged for a limited term contract to take the organisation from strategic position A to position B. For the right Executive, this is an exciting leadership project which plays to their strengths and enhances their reputation in the market. Once completed, they have increased their value as leaders and are highly marketable, provided they don't stay too long and fall into the mire of administrative failure.

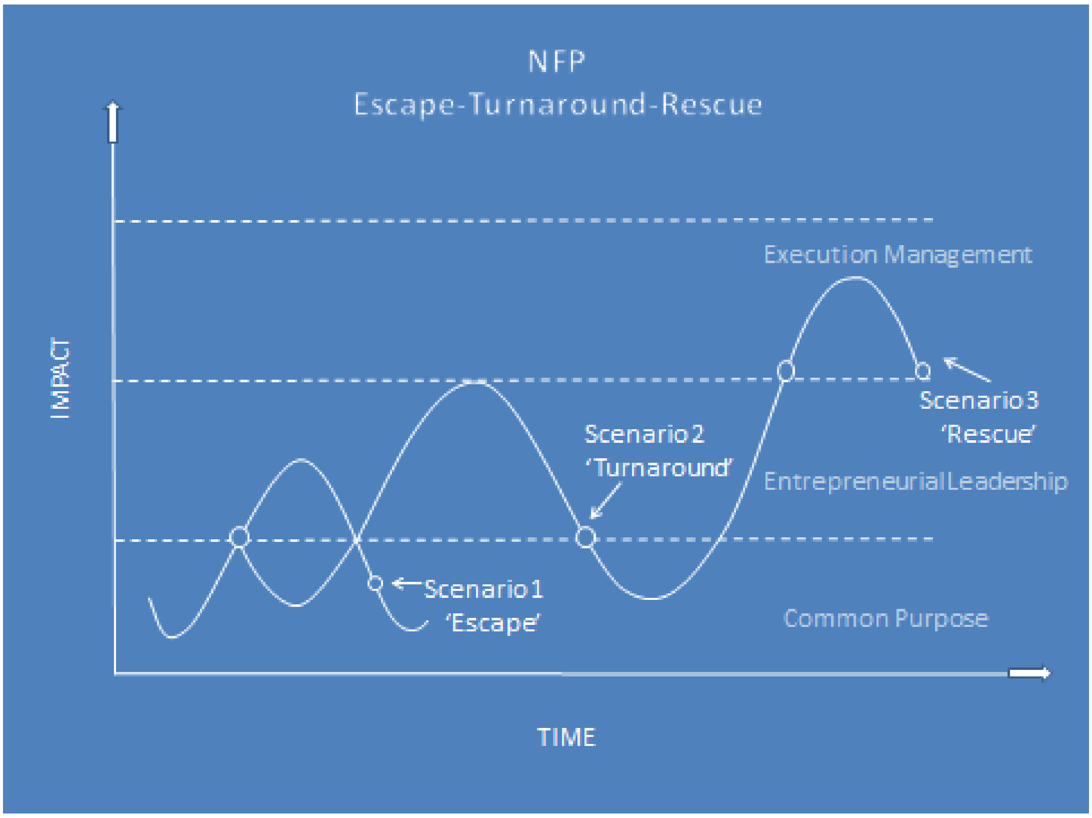
To move out of this crisis phase requires Board action and real expertise in organisational development. The Board must take responsibility for ensuring there is a framework for the organisation to help its longest serving people understand for themselves where they fit in and also supports them in achieving a new alignment. The foresight and experience of a good Chairperson, consultant or advisor are indispensable catalysts and valuable assets for the organisation at this time of change.

The Board or its selection subcommittee must recruit a new leader with strong professional management skills. This should be an open and transparent process but the incumbent Executive Director should not be involved in either managing the process or be involved with the selection. If left to do so, they will inevitably recruit lesser versions of themselves.

The ability of the Board to perform this crucial recruitment process successfully depends on their level of engagement in, and ownership of, the strategic vision and mission of the organisation. If this has been preserved along with the Board's independence then using this crisis to assess, plan and adjust the organisation helps prevent failure, accelerates the pace which an organisation becomes sustainable, preserves public confidence and institutional knowledge, and helps maintain a culture of efficiency and innovation

In a situation where the Executive Director has been in place for much longer than seven years in a high need/ high growth environment, it is almost certain that the Board has become strategically disengaged from its mission and vision. If the organisation is going to advance to the next rung on the ladder of capacity and sustainability the Board must go through a process of urgent examination in which the ambition, mission and vision for the organisation is redeveloped by the Board. If this does not happen, the organisation quickly snakes from a Phase II crisis back to the lottery of luck of a Phase I crisis. **Fig 2** 'Turnaround' Illustrates the costly consequences in time and resources for organisations that fail to break out of the crisis and move on to the next phase of development, also described in the earlier scenarios. When this scenario is played out on the commercial stage, the organisation goes out of business and/or has its assets acquired. This is the most common stage of business failure.

Fig 2



Phase III: Execution Management

For organisations that have successfully navigated through to the next stage, performance development is now about continuous incremental improvement rather than the great deed. It is about having people who can manage through the introduction of controls that allow expansion of services whilst minimising risk and increasing predictability and reliability of outcomes. If the crisis stage has been well managed, the Founder/ Social Entrepreneur may now be in a figurehead role such as Lifetime President with their personal values exemplified by an ever growing and more impactful organisation.

A Chief Executive with strong General Management competency is responsible for strategic leadership and the development of a professional management team. The evidence of this operational capacity attracts funding and income from a wider variety of sources and the organisation expands. However for the not-for-profit sector in Ireland the dominant source of funding is government and institutional income from grants and increasingly, contracts for services. For the sector as a whole the source of funding from government and institutions is over 40%[5], for the social services sector it is over 50%[6] and for larger organisations such as Concern Worldwide (income €160,234 yr 2011) it is over 70%[7]. Funding dependency is the most common trigger for the next crisis.

Crisis III

In developing the organisation's management capacity, its systems, processes and controls, the organisation's greatest danger is stagnation caused by loss of control through over-extension, the building of hierarchical bureaucracy and a choking of creative capability. The organisation loses agility and become vulnerable to political change, forces of globalisation or the introduction of external radical innovation. This is referred to as 'the crisis of red tape'.

[5] INKEx report 2012, Irish Nonprofits: What do we know?
[6] 2into3 report 2011, Fundraising Performance – The Second Annual Report on Fundraising in Ireland
[7] Concern Worldwide Annual Report 2011

Plateau III

The way forward is reinvention, to revisit the mission and vision, develop a new strategy and ignite a renewed culture and agenda of innovation. Opportunities for consolidation or merger will be considered and the organisation will certainly require restructuring to remove functional or geographical silos. This requires sophisticated strategic level HR, organisational development and change management capabilities. Strategy, structure, systems, skills, staff and style must be developed and aligned in a wholly integrated fashion to the new mission and goals. Some of the organisation's staff will have difficulty in adjusting to a cross functional/ cross organisational environment requiring far greater levels of self-discipline and strong influencing skills to develop collaboration rather than the management of formal systems and processes of control.

Phase IV: The Perpetual (Innovation) Organisation

This fourth phase of development has much in common with stage one and organisations that successfully achieve stage four development have established a balance between the professional management of corporate services and controls, organisation funding and the innovative programmes created and run by a collaboration of: front line staff; voluntary supporters; service users; analysts; technical experts; finance, fundraising, HR, marketing and communications resources; project and programme coordinators. Whilst organisations at this level of development continue to be challenged by constant changes in the world around them, they have the capacity to respond and adjust rapidly, preserving their brand and intellectual capital.

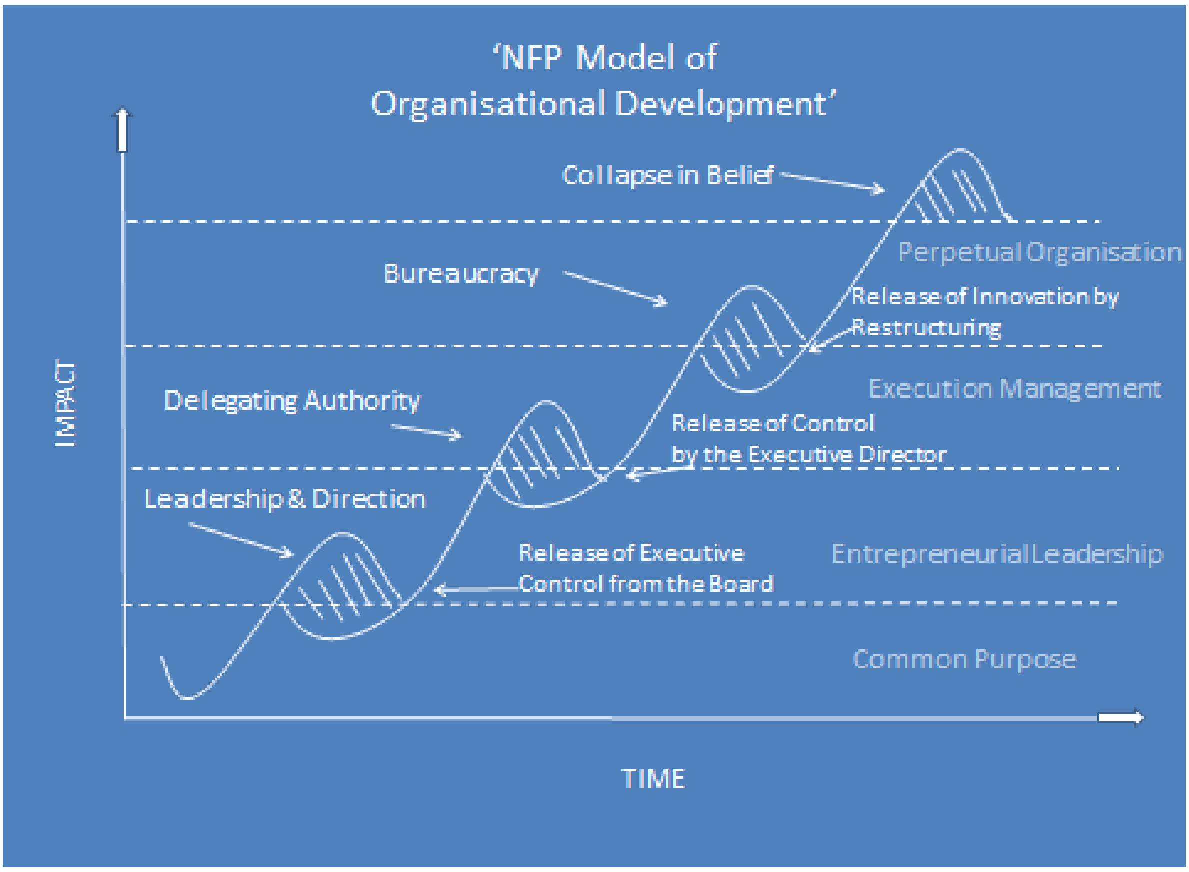
Few not-for-profits in Ireland have reached this level of organisational development. In the commercial world companies such as Apple or Accenture have demonstrated their robust capacity to deal with radical market innovation due to the maturity of the organisational development. In the international not-for-profit world an organisation that exemplifies this stage of organisational development is Ashoka. Architected according to its founder, Bill Drayton's, vision of a 'team of teams', the organisation operates in 70 countries with over 2000 teams sharing resources, knowledge and expertise in a mission '*to shape a global, entrepreneurial, competitive citizen sector:*

one that allows social entrepreneurs to thrive and enables the world's citizens to think and act as changemakers'.

Charting a Pathway to Sustainability

The following illustration is a summary of this paper's model for guiding the most efficient pathway through these four main phases of development towards organisational sustainability. The chart highlights the key crisis points and their triggers. A more detailed summary table of the features of each development stage is contained in the appendix.

Fig 3



THE LEADERSHIP AND MANAGEMENT DEFICIT

The organisational lifecycle identifies the critical role of leaders and the management challenge at each phase and the cost of success or failure. In the current financial landscape, the need for many organisations to develop their capacity is evident as they are thrown into crisis, with less government and institutional finance available and increased competition among NFPs for new sources of funding. The days of relative lack of competition and history of generous grants are over. Organisations need to redesign their business models to align with their mission and the new reality.

Leadership is a critical requirement for all organisations. It is much talked about and because of this it has perhaps lost its currency in over use. The practice and art of management receives less attention in the not-for-profit sector and yet the transition through each of the crisis and plateau stages of organisation development requires high levels of change and organisational management expertise.

Until relatively recently, the symptoms of poor management and prolonged Phase II stagnation were masked by a booming economy, generous State funds and Ireland's two large philanthropic organisations (Atlantic Philanthropies and the One Foundation) who were providing generous contributions to NFPs' annual budgets.

Today with the rapid repositioning of wealth, the challenge for leadership to navigate through the current funding crisis and manage organisational change is striking. Active Boards are now sitting up and asking the hard questions. Today there is no slack in the system and responsible Boards of all types are scrutinising sustainability, impact and risks associated with dependency or developmental stagnation.

Where there is a gap in the management competency to lead the changes required, Boards and institutional funders must be alert to the risks of allowing a crisis become a costly organisational failure. If it is ignored it will only serve to accentuate the transition challenges in making the tensioned crossing through the crisis. As with all crises, awareness, analysis and planning yield opportunity for both the organisation and individual.

Challenges

Changing leaders who have been in position for longer than is healthy for maintaining personal or organisational performance is not straightforward. No matter the exceptional sanctity, heroism or exemplary character of a leader the situation always creates, over an extended performance plateau, involuntary behaviour that damages the organisation.

The Executive Director in Phase II, for the majority of cases, has enjoyed the absolute power the cause and vision gives them over 'their' organisation. This limits the organisation's capacity to develop, with behaviours becoming embedded in the culture of the organisation that are then impossible to change from within.

These behaviours ultimately lead to organisational failure in the form of funding reduction by grant makers, a breakdown of the relationship between the Board and the Executive Director, externally mediated issues of bullying and harassment or other signals of an unhealthy employment culture in the organisation and/or stress related health issues for the Executive Director. The only solution, once these have taken root, is to firmly ring-fence the leader's negative influence upon the organisation.

Yet the complete loss of relationship between a charismatic leader and the organisation also represents a great loss of potential. The strengths they have brought in respect to super-ordinated values, strategic vision and creative innovation may be lost and the organisation pendulums in reaction to the features of the crisis that occurred.

All too frequently this is the appointment of a replacement who appears to be the safe pair of hands, bringing stability and control to an organisation in crisis but who has little to offer beyond saving the

Board members from stepping into the day-to-day running of the organisation. Boards need to step up to the leadership challenge if they are to avoid these reactionary responses, to manage transitions of leadership and act decisively when needed with responsibility and fairness.

To train and develop the competencies required to perform as Chief Executive in today's environment takes time and investment. Whilst this investment is something the sector must continue to develop, the time it takes for it to yield productivity is simply too long to address the gap in capacity that exists immediately in today's systemic crisis situation.

Boards must seek Chief Executives with advanced management skills and high levels of programme, process, people and profit acumen to navigate through the uncharted and challenging territory of the future. Otherwise their ability to succeed and realise their mission is severely compromised. They need to recruit Chief Executives possessing strong aptitudes of awareness, analysis, creativity, planning, communications, people management and organisational capabilities.

To recruit at this level requires a thorough recruitment process and investment in the time it takes. Leadership and management talent is a resource organisations must competitively capture and nurture if they are to create sustainable success. Increasing professionalisation, regulation and funding stipulations have led to a rethinking of who has the best skills to lead the modern not-for-profit.

Accessing management talent

Corporate Social Responsibility and its impact on social policy have stimulated a burgeoning acceptance of business playing a larger role in social policy. Individuals who have risen to senior executive level in the private sector have a number of distinct skills which are becoming more and more appropriate for the third sector.

This realisation is slowly becoming apparent. Evidence of NFPs turning their attention to the commercial sector for senior candidates is already visible. We can see that if we take a random selection of CEOs from the not-for-profit sector in Ireland, from a range of the NFP sub-sectors including health, education, international development, social services, philanthropy, advocacy, law & politics a wide ranging diversity of academic and professional backgrounds is beginning to emerge.

Senior executive recruitment however is not clear-cut. A report in 2011 based on London School of Economics and Political Science research and compiled by the Irish Management Institute[8] highlights the management deficit across all sectors in Ireland. Nor is it necessarily a quick turnaround. Across the executive recruitment industry it is recognised that despite technological advances which allow faster candidate identification and 24/7 communication with candidates and clients, search completion times on average have remained the same or become longer.

That causes are so virtuous and engaging, meaning that promotion is not considered necessary is a thing of the past. Investment of time and money in the senior executive recruitment process is essential. The Chairperson would be well advised to seek external guidance from Management or Organisational Development consultants to help recruit for this much needed leadership transition in the NFP life cycle.

To attract high calibre executives at a time of intense competition, senior executive leaders have to be convinced that risks attached to perceptions of the not-for-profit sector as underfunded, under-resourced and understaffed are outweighed by the opportunity for them to make impact as leaders and professional managers.

While there are no doubt personally challenging and socially meaningful elements to working in NFPs and the satisfaction of a positive flexible working environment in which the purpose is to contribute to society and enhance the lives of others is a factor, there are two key factors which play a big role in convincing executives of the opportunity for impact - the Board and the Brand.

Boards that are active and whose compositions give marked advantage to supporting the goals of organisations are a top consideration for senior candidates. The attachment of professional and public reputation to Board members gives candidates the added confidence of a shared endeavour

[8] IMI, (2011). *Management Makes the Difference. How focusing on improving firm management can improve firm performance and enhance Irish productivity.*

and shared risk. The Board operation must be coherent and there must be a clear and high level of achievable ambition for the organisation.

The unique feature of any not-for-profit organisation and its most valuable asset is its brand. Without a strong brand, or in a situation where a brand has been severely damaged, any executives' capacity for impact is going to be remedial at best. The strength of the brand suggests organisational credibility to a potential candidate, reflecting the scope for impact and elevation of professional profile. In situations where there are questions about the brand, serious consideration must be given to addressing the problem before seeking to recruit.

It is the author's experience that executives do not expect to be paid equivalent levels of remuneration in a not-for-profit as in the commercial world, however the higher the salary offered the higher calibre of candidate received. Shortlists for executive positions with salaries of €100,000 or more differ enormously in the level of experience, qualifications management competency and general seniority of candidates to positions with salaries of €70,000 or less.

RECOMMENDATIONS

1. **Engage board members or advisors who understand the development journey of organisational capacity building.**

   People that have exclusively worked in institutional organisations and understand how to operate within bureaucratic environments are unlikely to have the understanding of the transition stages of organisational capacity building. In fact their orientation in most cases is to maintain the status quo and avoid rocking the boat perpetuating issues of accountability and poor governance mentioned above.

2. **Develop processes which allow independent assessment of staff attitudes towards organisational effectiveness.**

   NFP leaders should have access to regular independent assessment which measures trends in staff attitudes towards the impact of their work, the efficiency with which resources are being utilised and the effectiveness with which the organisation is operating. This provides the closest approximation to a management dashboard for assessing where the organisation is on the impact development curve.

3. **Build diverse and independent Boards**

   Many public and private institutions have been decimated and trust in them erased because of inadequate governance rooted in a lack of independence of Board members. Board rotation processes and a six year limit on the time anyone sits on a particular Board yields better Board performance and promotes a healthier relationship for Chief Executive and

Board. Minister for Justice, Alan Shatter[9], and industry associations promoting best practice such as Dochas[10] have stipulated similar restrictions on terms of office for Directors.

Increasing numbers of organisational leaders from both the public and private sector are seeking to make voluntary contributions to the not-for-profit sector. This is evidenced in Boardmatch's access to 4000 Board candidates. Despite this impressive database, demand for such a service seems low.

Chris White, CEO Boardmatch, has stated in discussion that contrary to the often expressed problem - that it is impossible to find good Board members in fact the opposite seems true. It seems impossible to convince NFPs of the benefits of drawing on this free service. So, it appears the problem of Board quality is not in supply of suitable non-executive Directors but in demand from the sector.

In addition, Kevin Prendergast, Corporate Compliance Manager at the Office of the Director of Corporate Enforcement has said of the not-for-profit sector 'the biggest challenge is getting people off Boards'.[11]

This certainly raises questions in any organisation where principles of good governance and Board rotation are not being applied.

4. Executive Directors as development project managers.

In the development stages of an organisation the Chief Executive should be engaged on a four year contract renewable for a maximum of three more years. Chief Executives who remain in position for longer than 7 years lose value as leaders of change.

9 http://debates.oireachtas.ie/dail/2011/06/29/00026.asp

10 http://www.dochas.ie/shared/files/4/cgai_governance_code__final.pdf
11 http://www.boardmatchireland.ie/uncategorized/boardmatch-speaks-to-corporate-compliance-manager-at-the-odce/

5. Boards must independently manage Chief Executive Succession.

This is particularly challenging in the second stage of development. The successful Phase II leader has been rewarded with star-like recognition, receiving high levels of media coverage and close association with the rich, famous and the powerful. This is a stage few people like to share and if succession is left in the hands of the entrepreneurial leader only B players will emerge as they will inevitably recruit lesser versions of themselves.

Boards must openly discuss succession planning and take direct responsibility for managing the recruitment and selection process where transition is required.

6. Don't recruit if the organisation is not in a position to support the role.

Today it is common to see situations where the Executive Director of an organisation has failed to develop a sustainable funding model or build any fundraising capacity. Hit with the existential crisis the response is to hire a senior fundraiser. This is the wrong course of action if the Executive Director does not have the competence to manage a senior manager and in all likelihood will lead to even greater problems for the organisation. The Executive Director is not held accountable for their failure to plan and has demonstrated an incapacity for general management of the organisation. This is the direct issue which should be addressed.

7. If a Board is disconnected from leadership of strategy and mission they should not recruit a Chief Executive but rather an Interim General Manager

The alternative option to recruitment, should the Board be in a position where it needs more time to organise itself, is the appointment of an Interim General Manager for 6 to 12 months. There are a number of experienced general managers from the sector who have the capacity and interest to bring stability and create space for the Board to gather information, make decisions and reshape.

8. **If the conditions for making a leadership appointment are there, use a process which is designed to identify, attract and engage someone who brings the most advantageous skills to meet the objectives of the Board.**

   Finding the right candidate for a senior executive role can take from 6 to 12 months from agreement to start date. Getting the process right first time provides an enormous cost and impact benefit to the organisation.

9. **Work with specialist advisors or recruiters**

   Boards cannot abdicate responsibility for readying an organisation for the introduction of a senior executive but they can work with a specialist advisor or recruiter, who understands the challenges involved, brings an objective external perspective, understands the conditions that are needed to increase the chances of success and how this affects the profile of person required.

10. **Boards must understand where their organisations sit in the lifecycle of organisational development.**

    For a NFP Board to plan or recruit successfully at the executive leadership level it is essential to recognise, in organisation capacity building terms, where they are and where the mission and level of agreed ambition requires them to be. Understanding the organisational journey should directly inform the Board of the experience and competencies necessary.

CONCLUSION

The not-for-profit sector has the potential to play a critical role in the advancement of civic society in Ireland. The ever widening gap in service provision left by church and state will eventually be filled by those who can demonstrate competency, organisational capacity and financial sustainability. For the not-for-profit sector to deliver on this requirement depends on building more advanced Phase IV organisations.

Building sustainable capacity must be the focus for boards of management. If organisations are going to change and develop through the phases of organisational development it is essential to recognise where they are now, where they have come from and where they are going. The lifecycle model contained in this paper is aimed at prompting that discussion and providing a frame of reference for the boardroom. The ten points contained in this report are diagnostic prompts, and best practice recommendations, directed towards achieving a more effective organisational capacity transformation for the not-for-profit sector.

Ultimately, the rate at which an organisation can develop to stage four will be determined by the level of need and opportunity which exists and, most importantly, the ambition, commitment and skills of the Board. The deficit that exists in organisational and change management expertise can be addressed if the right governance and processes for managing the lifecycle transitions of development are put in place.

Adopting these principles will maximise impact for the sector, develop executive potential for fulfilment and personal growth, and eventually lead to a more just and equal society.

Appendix

NFP Organisational Lifecycle Table

	Common Purpose	Entrepreneurial leadership	Managing Execution	Perpetual (Innovation) Organisation
Programme & Service	Informal Sharing of knowledge and resources	Development of a novel programme of services based on a new idea, the introduction a system or process innovation and/or the adoption of a new technology.	Geographic extension into new regions. Expansion as a credible provider of government funded services. Increased level of competition, focus on building efficiency and delivery capacity.	Potential for global impact. Core corporate services function supporting highly distributed innovative units focused on transformative systemic change impacted at both a national & local level.
Staff Leadership/Management	Concerned Individuals Common purpose Volunteers	Energetic, entrepreneurial, visionary leader/ founder whose vision drives the organisation Sole decision making little or no hierarchy	Organisation led by a Chief Executive with rounded General Management competencies. Clear delegation of authority & clear accountability	Inspiring leader representing and advocating the values and mission of the organisation. High level of autonomy enabled by meticulous selection and promotion of self-disciplined unit and programme leaders.
Staffing	Mostly or all volunteers	Small staff base, family like atmosphere job descriptions and personnel policies weak	Deepening hierarchical organisation. Personnel policies, performance management and systems of professional development.	Extensive deployment of shared services and partner engagement. Highly educated, skilled and expert core staff.

Governance/Board	Operating Board	Governance Board. Handpicked by the Executive Director Homogeneous Passionate association with cause.	Diverse and independent Board selected on basis of policy and professional expertise along with fundraising capacity. Good working subcommittee structures. Formal processes for assessment of performance. Strong oversight of policy, impact and sustainability.	Policy, organisational, public and business leaders possessing international reputation and credibility.
Administrative Systems/Operations	Frequent informal communication. Few formal systems	Informal systems Operations are flexible Informal management infrastructure Internal communication is challenging Unstable operations & unsophisticated operating systems	Revenue generation options considered Better integration of technology & data management Well-developed systems can feel like red tape	Leading edge recruitment, talent management and OD programmes
Finances & Fundraising	Community and member based funding. Possibly some local grant support. Hand to mouth.	Development of grant based funding from statutory and institutional sources. Funding sources dependent on relationship with the Executive Director. High risk of failure if one resource pulls out	Development of statutory contract for services revenue. Combined statutory and institutional funding >50% of total income. Public fundraising based on charitable model.	Strong case for support built across a diverse range of philanthropic funders. Social enterprise and commercial income opportunities maximised.