Section I: The Leadership Development Gap

High-performing NGO leadership matters. Exemplary leaders stretch limited resources. They inspire teams to perform their best and grow to their full potential. They accelerate the mission. The implication could not be more clear: organizations must develop a deep bench of strong leaders in order to scale and sustain impact over time.

"In the social sector, you are seeking to maximize impact," says CV Madhukar, investment partner at Omidyar Network. "Therefore, you want to develop an institution that lasts and continues to add value. That is why leadership development for NGOs matters."

Demonstrating this principle is Professional Assistance for Development Action (PRADAN), an Indian NGO that works to improve the livelihoods of marginalized people. PRADAN is led by a group of 31 individuals. Every five years, this group provides input for nine people to serve on the "Management Unit," which provides strategic direction to the organization, in consultation with the larger group. One of the group members is chosen by the Governing Board, with input from the larger group, to serve as the next executive director. The result: the top jobs are rotated on a regular basis.

Through this collaborative approach, PRADAN ensures that many experienced individuals—not just a founder—drive its growth strategy. This collective and distributed leadership structure has, among other things, helped PRADAN scale its reach to more than 1.8 million people annually across India.

Studies have revealed the significant returns from investing in leadership development. These range from improved organizational performance to higher competitiveness for talent. A study in the *McKinsey Quarterly* showed how this investment assisted one of the largest nonprofits in the United States, the Boys & Girls Clubs of America (BGCA), whose mission is to help young people, especially those from vulnerable backgrounds, reach their full potential.

In 2007, a surge of impending retirements of local leaders threatened to hobble the organization's efforts to expand its network of more than 4,000 club locations. This presented BGCA with a double challenge: it lacked a second line of managers with sufficient leadership capabilities to make up for the losses. It also lacked dedicated funding to build those capabilities. Donors wanted to finance programs, not "overhead."

In response, BGCA built a leadership training program. It targeted specific leadership competencies on such vital measures as membership growth and fundraising. The organization trained more than 650 aspiring leaders. The result: trained individuals outperformed a control group on every performance outcome, generating more than a fourfold return on the program's costs.[2]

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2   Jenny Cermak and Monica McGurk, "Putting a value on training," *McKinsey Quarterly,* July 2010, http://www.mckinsey.com/business-functions/organization/our-insights/putting-a-value-on-training.

Unfortunately, investing in leadership development is not the norm in the social sector. According to a 2014 McKinsey & Company study,[3] which analyzed 20 years of spending by foundations in the United States, such institutions allocate just 1 percent of their annual funding to leadership development. This equates to US social sector spending on leadership of around $29 per employee, versus $120 per employee in the private sector.

The US trend holds true in India, despite a growing recognition among the nation's NGOs of the value of developing leaders.

Of the 250 NGOs in India we surveyed, an overwhelming 97 percent called leadership development important to their organizations' success. But they do not match this recognition with investment or action. Rather, NGOs and funders invest almost exclusively in programs that directly benefit constituents.

This fundamental underinvestment in building leadership capacity afflicts a large part of India's social sector. More than 50 percent of NGOs responded that they have not received *any* funding for leadership development in the past two years. For the most part, NGOs and funders address leadership only when an urgent problem arises, such as when an NGO's founder steps down or when the organization underperforms.

Meanwhile, pressure is mounting on NGOs. From 2011 to 2016, total philanthropic funding to the sector grew by an annual average of 9 percent,[4] thanks in part to the 2013 mandate that companies spend at least 2 percent of their net profits on corporate social responsibility (CSR). However, as investing increases, so does the focus on results, which places greater demands on leadership.

Another accelerating trend makes leadership development even more urgent: a looming transition from NGO founders to a new generation of leaders. These leaders had founded NGOs some 20 or 30 years ago and are beginning to give up the reins.

With time of the essence—and almost no published research on leadership development in the Indian social sector—we decided to assess root causes of the current gap and discover practical strategies for building high-performing NGO leaders. This report, developed with support from Omidyar Network, summarizes our findings and recommendations.

"Leaders" and other definitions

To create a shared understanding, we define "leaders," "leadership development," "leadership competencies," and "leadership development programs" in the context of this study.
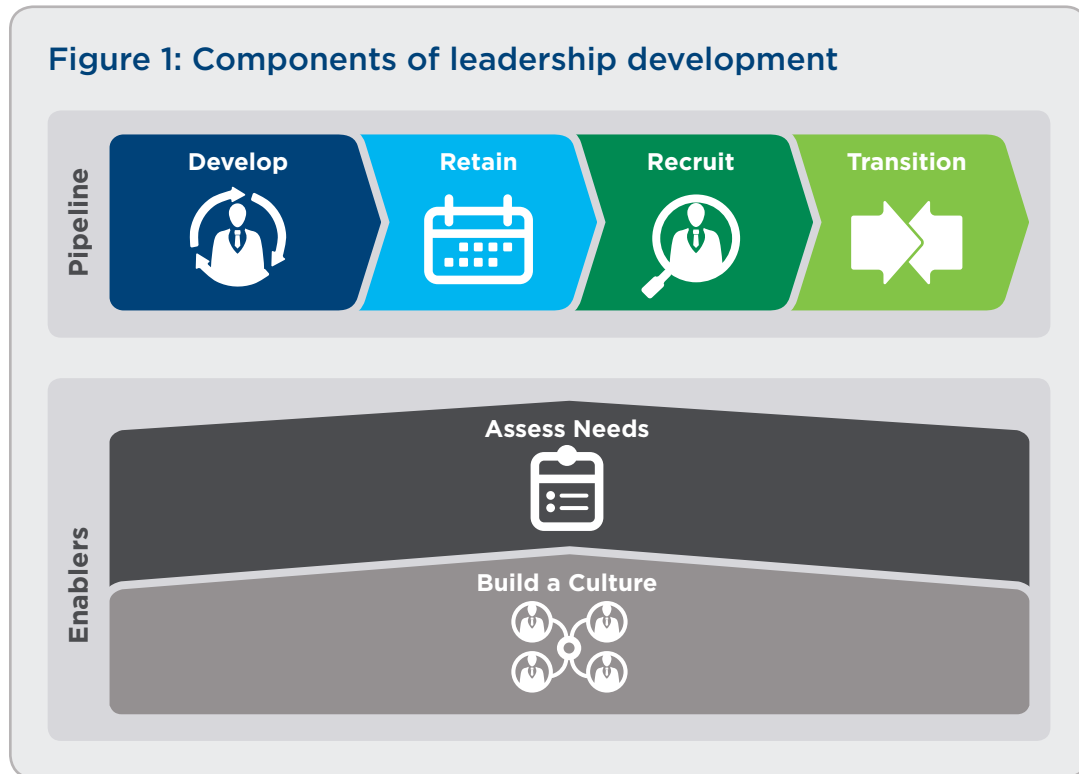
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3   Laura Callanan et al., "What social-sector leaders need to succeed," McKinsey & Company, November 2014, http://www.mckinsey.com/industries/social-sector/our-insights/what-social-sector-leaders-need-to-succeed.
4   Arpan Sheth et al., *India Philanthropy Report 2017*, Bain & Company, March 2017, http://www.bain.com/publications/articles/india-philanthropy-report-2017.aspx.

Leadership means different things to different people in the social sector, not least because NGO organizational structures vary. For this study, "leaders"[5] refers to the top two levels of leadership in an NGO—that is, the senior-most leaders (such as the chief executive officer, executive director, chief operating officer, or managing trustee) and their direct reports.

Figure 1: Components of leadership development

Pipeline			
Develop	Retain	Recruit	Transition

Enablers

Assess Needs

Build a Culture

The sector also lacks a common understanding of what leadership development encompasses. We define "leadership development" as the practices that NGOs deploy to ensure that they have leaders with the right competencies to meet the organization's needs (see Figure 1 above). Based on our experience, review of the literature, and primary research, we believe that leadership development includes six components:

- Two are **enablers** that comprise the prerequisites for building effective leaders.

   – **Build the culture:** shape the organization's values, beliefs, norms, and accepted rules of engagement in a way that values continuous learning and developing leaders

   – **Assess needs:** evaluate current and future leadership needs, based on the organization's strategy and goals

- Four others are **pipeline** components, activities that ensure a strong and stable leadership team.

   – **Develop:** build leadership competencies, based on assessments of each

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5   Also referred to as **senior leaders, leadership team, senior team,** or **executive team** in the report.

individual's performance and potential

- **Retain:** prevent the unwanted attrition of effective leaders
- **Recruit:** hire the right senior talent from outside the organization and onboard them successfully
- **Transition:** support a smooth succession between outgoing and incoming leaders, including succession planning

Based on our review of the literature and experience working with NGOs, we define four sets of "leadership competencies":

- **Organizational leadership competencies**: These are the necessary characteristics and skills to lead an organization. They include strategic thinking, decision making, change management, business and operations expertise, the ability to develop others, and effective communication and collaboration.

- **Individual leadership competencies**: These are characteristics and skills needed to develop oneself as a leader. Among these are self-motivation, a growth mind-set, self-awareness, openness to change, and empathy.

- **Functional competencies**: These entail the knowledge and skills required to excel in specific functional roles, such as finance, project management, fundraising, or human resources.

- **Technical/sector-specific competencies**: These encompass knowledge and expertise to perform well in a specific domain or field of work, such as health, education, water/sanitation, rural livelihoods, or advocacy.

We define "leadership development programs" as classroom-based and/or experiential learning programs that:

- are designed to enhance one or more leadership competencies (even if they are part of broader organizational capacity-building programs),

- require participants to attend in-person sessions (typically staggered over weeks/months of the program), and

- include leaders from different organizations.

Scope & Methodology

India's NGO landscape is large and diverse. In scoping this study, we focused on NGOs that meet the following criteria:

- Headquarters/head office in a city with a population of more than one million people

- Three or more years old (at the time of the study)

- Employs more than five people full time and/or has an annual budget greater than INR 10 lakhs (or approximately $15,000)

- Not a school, hospital, or religious organization

In addition, we focused on domestic Indian NGOs. We excluded the Indian offices of international NGOs (INGOs), except as a point of comparison. That said, many of our study findings are likely to apply to the broader NGO landscape.

To map the current state of leadership development among Indian NGOs, we adopted a mixed-methods approach to gathering and synthesizing information from a variety of sources. Our methods included:

1. **Secondary research:** We studied the available resources on leadership development in the Indian NGO sector, including research on global NGOs and the Indian for-profit sector as references.

2. **Interviews with a range of stakeholders**: We conducted over 50 interviews with NGO leaders, funders, sector experts, and intermediaries to develop and test our findings and recommendations. Appendix A lists all interviewees.

3. **Survey of NGO leaders:** We conducted an extensive online survey of NGO senior leaders in India, receiving a few hundred responses. After applying our filter criteria for NGOs, we came out with 244 complete responses, including 203 from Indian NGOs and 41 from INGOs. Through our outreach, we attempted to ensure a balance of organizations (by size, age, geography, and sector) and drew upon:

   • Grantee portfolios of a few major grantmakers in India, including the Tata Trusts, Bill & Melinda Gates Foundation, and The David and Lucile Packard Foundation. One-third of the final survey responses were sourced through these organizations.

   • Major databases of Indian NGOs, including GuideStar India, GiveIndia, HelpYourNGO, and FCRA. Cold outreach through these databases resulted in about two-thirds of the final survey responses.

   Appendix B lays out the survey respondents' demographics.

In undertaking the study, we encountered a few methodological limitations. The literature on leadership needs and development in the Indian NGO context is negligible, with no authoritative data or information source. Therefore, we based our inferences and findings largely on the feedback we received from our informational interviews and the survey, which have some implicit constraints, such as small sample size, sample/informant bias, and any self-reporting bias.