

# Cultivating the Next Generation of Leaders

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**T**oday's practitioners do not know who the next generation of social entrepreneurs will be, where they will come from or even if there will be a common "new social entrepreneur" profile. We do know, however, that we must recruit more and more talented people to our social purpose enterprises, we must encourage them to stay with us and, above all, we must proactively help them to grow into leaders.

*"One of the things that will influence our ability to continue building our business will be our internal capacity to find the expertise and leadership we need and to have it balanced with commitment to our social mission."*

Maurice Lim Miller

EXECUTIVE DIRECTOR

ASIAN NEIGHBORHOOD DESIGN (AND)

After looking first at the imperative of growing social entrepreneurs, this chapter presents a practitioner's perspective on how to identify leadership development needs and how to meet them.

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## Why Leadership Development?

Whether using fast-track promotions, management trainee programs, business schools, aggressive mentoring or other strategies, successful companies consciously develop their future leaders. The fact that the private sector has institutionalized so many ways to train its next generation suggests that business leaders are not only born, they are bred.

Social purpose enterprises are looking for leaders of the same caliber as their for-profit counterparts but with something even more—the ability to passionately marry these business skills with the challenge of fulfilling a social mission. Although we are only interested in a small segment of potential business leaders, social purpose enterprises are in direct competition with the private sector for those candidates. For example, compare the description of a successful leader-manager by the chairman of a large multinational corporation, “a person who can live with above average ambiguity and manage sometimes conflicting objectives,”<sup>1</sup> to AND’s Executive Director’s description of his target candidates: “We end up looking for flexibility and for someone who is motivated by the constant challenge of balancing the business with the social objectives.”

The challenges of finding leaders for a social purpose enterprise are so great that today’s leaders can not count simply on recruiting—they must help create the next generation of leaders.

*“Because we need such unique and committed people, I see our best possibility as an internal farm system, getting to know some one and helping them grow over time. Otherwise, there’s no guarantee you’ll find*

*that rare combination of qualities in a person right when you need them. For example, we have a business that will open in two weeks and we are still trying to fill a key management position after several months of looking.”*

Laura McLatchy

EXECUTIVE DIRECTOR, YOUTH INDUSTRY

Even very experienced managers who join a social purpose enterprise rarely have equally developed capabilities in both the business and the social mission side of the enterprise. Leadership development initiatives can help these managers explore the areas that are new to them and gain the balance in perspective and skills that the organization needs.

Finally, organizations that make leadership development an explicit component of their strategies are more likely to be able to retain strong and experienced managers. Particularly in small organizations in which upward mobility may be limited, ensuring that employees are continuously challenged in their existing roles goes a long way toward reducing turnover.<sup>2</sup> Having the right tools and support to succeed at and learn from these challenges enables employees to grow and creates a positive environment. In contrast, studies suggest a lack of professional development opportunities reduces job satisfaction and, in the case of nonprofits, contributes to individuals leaving the sector.<sup>3</sup> At the same time, strengthening leaders’ capability to contribute to their organization’s mission increases the social impact of their efforts, a result that in turn reinforces the employees’ commitment to what they are doing.

## What does a Future Leader Need to Learn?

Leadership development initiatives should respond both to the specific nature of the organization and to the strengths of the individual employee.

First, an organization must define its objectives for development. Research on successful organizations in both the private and nonprofit sectors suggests the importance of

what Letts, Ryan and Grossman call “strategic human resources”; “the practice of getting, keeping and motivating good people specifically to advance the objectives and the mission of the organization.”<sup>4</sup> Social purpose enterprises must not only recruit and maintain good people; they must develop the specific leadership capabilities they need in order

to increase their social impact through success in their businesses. The first step in this process is identifying the skills the organization will need to grow or improve in each area over the next several years. An outsider's perspective can be quite useful in understanding the challenges a venture is likely to face during its next stage of growth and working backward to think about the skills it must have.

In addition to the strategic objectives of the organization at that moment, social purpose enterprises should consider the unique skills or understanding that hybrid social purpose organizations demand of leaders and integrate these into their development efforts. For example, social purpose enterprise managers struggle with balancing mission against profits every day. Are there tips, processes or insights that would make these decisions seem less intimidating for a newcomer? Would an overview of the principles, objectives and mechanics of the organization's social outcome measurements shed some light on organizational decision-making?

*"Since our new managers always seem to face some pains during their transition from the private sector, I have learned to anticipate and minimize it by talking in advance about differences and potential conflicts"*

Marc Coudeyre

ENTERPRISE DIRECTOR, ASHBURY IMAGES

Social purpose enterprises must recognize that even the most high-powered new manager has much to learn about leadership in the setting of a social purpose enterprise. Starting from this assumption, assess the strengths that the potential leader still needs to gain. For example, a recent MBA may have a great understanding of business concepts but little experience actually operating a business day-to-day. Or, a for-profit production manager may have no previous experience working with individuals in recovery. Ask managers what they would like to learn. Tapping into employees' own self knowledge and enthusiasm can set the stage for incredible learning.

## How Do We Develop Leaders?

As small businesses, many of the practitioners within the Roberts Enterprise Development Fund (REDF) portfolio confess that they have only recently felt they had the luxury to think about leadership development within their organizations.

*"As an organization we're now reaching a size and a level of stability at which we can devote more time to our managers' development. At the same time, with our new stores we will have a business large enough that the manager can easily grow into a real leadership position."*

Laura McLatchy

EXECUTIVE DIRECTOR, YOUTH INDUSTRY

However, social purpose enterprise leaders have many ideas about what could and should be done to develop their leaders in the future. And indeed, REDF has already put in

place a variety of mechanisms to support and develop current leaders. Research on private sector creative and visionary leaders suggests that organizations can develop visionary leaders through job experiences, supervisory styles and specific training programs.<sup>5</sup> This chapter examines these three methods, plus the value of creating additional learning relationships, from the point of view of social purpose enterprises.

### Leadership development on the job

The vast majority of learning in any job occurs as the employee works, as he or she confronts new situations, observes supervisors or co-workers, solves new problems and gains a thorough understanding of one piece of the business. Creating opportunities for managers to learn specific skills, encouraging

general leadership skills, using job assignments to give exposure to different aspects of the business and preparing managers for specific leadership positions are four types of practical leadership development techniques envisioned by social purpose enterprises.

A career development plan will help ensure that the specific development objectives of both the organization and the individual are realized. Linking the career plan to career evaluations means employees can identify tools and opportunities they need to respond to specific feedback on “areas for improvement.” Likewise, the employee and supervisor can then discuss the best way to support the employee in exceeding the next period’s business goals. The plan should have goals and several concrete action steps to take place over the next six to twelve months. Action steps may include preferences for certain types of project assignments, an external workshop, making a presentation to the Board, etc. and should be considered a firm commitment for all involved. At the end of this period, the employee and supervisors and mentors should review progress both against the action steps and against the underlying goals. Consider factoring this progress into career evaluation or bonus decisions.

Regardless of compensation ramifications, a personalized, albeit simple, career plan both demonstrates the organization’s commitment to building the employee’s capabilities and signals his or her potential to grow within the organization. This signal is particularly important since a career path within a social purpose enterprise is still being constructed and the lack of an obvious next career move has historically contributed to valued managers leaving nonprofit positions.

Work experiences are a very useful way to respond to specific career plan objectives. Not only do employees get the chance to learn by doing; they can actually point to how they demonstrated a new skill. With a little creativity, soft skills and management skills, such as team leadership or presentation skills, can easily be integrated into almost any position. Practice in more specific skills can be gained through smaller projects. Although it may not be the most efficient route at the moment, giving an employee the low risk chance to take a first shot at something that will then be reviewed by someone more experienced can be a very effective tool for learning.

In certain circumstances, outside advisors or consultants provide the most effective way for future leaders to learn targeted skills that do not exist within the organization. One of the very valuable forms of support that REDF offers to all of the businesses in its portfolio is technical assistance from a business analyst who specializes in nonprofit business development. By design, the business analyst not only “directly assists management in conducting the analysis,” but also “assists the managers in developing their own skill set.”<sup>6</sup> REDF also encourages the organizations to bring in industry or functional experts to meet specific needs that come up in the course of running the business.

*“We sometimes give managers the chance to bring in outside consultants who have the specific skills that we need. That way they get a chance to learn from the experience as well.”*

Maurice Lim Miller  
EXECUTIVE DIRECTOR, AND

In all cases, to learn the most possible from consultants, social purpose enterprises must insist that the “experts” transfer knowledge and know-how to the organization, rather than simply delivering a final product. Conveying this objective up-front, during the consultant selection process makes it much more likely that this transfer will occur.

Enabling an employee to meet his or her specific career goals by changing jobs within the organization can also have outstanding results, even given the learning curve in the new position.

*“After we responded to our office manager’s development goals by moving her full-time into our art department we realized that not only did we gain a motivated employee who now understands all aspects of our business, but we are also saving money!”*

Marc Coudeyre  
ENTERPRISE DIRECTOR, ASHBURY IMAGES

Social purpose enterprises can also foster more general leadership skills by encouraging employees to take advantage of learning opportunities as they present themselves in the course of the business. For example,

preparing for monthly Venture Committee meetings gives Enterprise Directors and key managers in REDF businesses an opportunity to lift their heads up from busy day-to-day business management to assess the progress of their businesses against financial and social goals and to strategize on major issues.<sup>7</sup> Urging developing leaders to participate in periodically assessing their businesses together with experienced managers can be a very effective learning tool. All new leaders should have practice presenting information, defending their recommendations, asking hard questions, discussing strategy and developing creative solutions.

The private sector has long used job rotation as a means of preparing promising young managers for future leadership. As social purpose enterprises grow, it will be important to enable strong managers to similarly try on different hats in the organization, to take on different roles and tasks. Exposure to different areas will improve managers' abilities to recognize the many issues they need to consider to make their own decisions work strategically for the organization.<sup>8</sup> Taking on a variety of roles within an organization will also keep young leaders learning, a tremendous benefit given the single most common reason that motivated young managers leave organizations is boredom from not being challenged.

Social purpose enterprises may also prepare managers very purposely for specific leadership positions by putting them in apprentice or assistant positions for those roles.

*“Ideally, I’d like to create an Assistant Director position. It would be a great way for someone with the right potential to learn about and practice leadership, and I’d have a back-up. For instance, the assistant could step in and run any one of our five businesses in an emergency.”*

Laura McLatchy

EXECUTIVE DIRECTOR, YOUTH INDUSTRY

However, all “on the job” learning has risks. Sink or swim tactics are not only high risk for the organization, but are also high risk for the new manager and can jeopardize an entire career. Well-earned successes build reputations and self-confidence; early failures, even in close to impos-

sible situations, can be very hard to recover from. Despite limited resources and optimistic young entrepreneurs, social purpose enterprises should resist the temptation to over-estimate what a new manager can accomplish and ensure that they have adequate support.

### Leadership development from above

Social purpose enterprises enjoy the advantage of having clear business performance measures as well as increasingly measurable social impact results.<sup>9</sup> For example, all REDF businesses develop annual and five-year business plans with specific financial and social bottom-line targets. Such objective goals and results can be very motivating and set the scene for regular and productive performance evaluations of venture leaders. However, holding a manager accountable for results is only a first step in developing him or her into a leader. Managers' supervisors and mentors must dig into the reality behind the “numbers.” Hard questions about “What went wrong?” and “What have we learned from this?” often follow failures. Good managers ask similar questions when things go right: “What factors contributed to the business exceeding its targets?” “What could the manager have done to have had even greater success?” “What new skills will it take to go the next step?”

Managers with leadership potential can benefit immensely from their supervisors' feedback. To be constructive, feedback must always be specific and honest—and sometimes negative. It is easiest to learn from informal feedback with specific and recent examples, even if it is later summarized and reinforced in writing. To be compelling, feedback must also be balanced between praise and areas for improvement. A supervisor who never suggests anything could be better lacks credibility and robs his or her subordinates of the chance to improve their work. Social purpose enterprises run this risk if they fall into famed nonprofit habits of “niceness” or “good enough” and do not aggressively critique managers' work.

In many social purpose enterprises, top business managers report to the Executive Director of the parent nonprofit. Even if the

Executive Director does not have a business background, he or she should still be able to provide significant feedback on management and leadership issues. However, if the Executive Director does not feel comfortable critiquing the management in depth on running the business, he or she should seek out an outside business advisor to provide that kind of feedback. Reporting or conferring with a designated Board member, advisory group member or industry expert will give the manager valuable feedback and an opportunity to interact with other leaders, while undoubtedly strengthening the business by adding an experienced perspective. Within the REDF portfolio, Venture Committee meetings fulfill part of that need.

*“Listening to an immediate response to my presentations and getting input on how to address our current issues at monthly REDF Venture Committee meetings was a good learning experience. I particularly benefited when the meeting was capped with a de-brief with my Executive Director on the way home.”*

Kristin Majeska

FORMER ENTERPRISE DIRECTOR  
THE CITY STORE

A final element of feedback supervisors can use comes from elsewhere in the organization. Scholar Philip Sadler includes ‘self-awareness’ as one of the five primary themes of leadership development. He suggests feedback from subordinates and peers is often a valuable aid to understanding oneself.<sup>10</sup> Both because of the challenging relationships with client employees in social purpose enterprises and because of the frequent interaction with other groups, it can be extremely valuable for these managers to know how they are seen by others. Supervisors can have a large impact by suggesting or mandating this kind of input.

*“I always had good intentions about getting serious upward feedback from my employees but it always got pushed to the bottom of the list. I would have avoided a lot of tension and miscommunication if I had actually taken the time to solicit it earlier.”*

Kristin Majeska

FORMER ENTERPRISE DIRECTOR  
THE CITY STORE

## Leadership development through external relationships

Because so much learning about leadership comes through role models and decision-making based on accumulated experience, young managers can benefit greatly from cultivating relationships beyond their immediate supervisors. The small size of social purpose enterprises means access to figures outside of the organization can be instrumental. Fortunately, a venture’s social mission often provides an entree to high-powered experts or business people who normally would not devote time to developing the manager of a small business. Organizations can take advantage of this valuable professional development resource by structuring both short-term interactions and long-term relationships.

Organizations provide both a perk and a learning opportunity to their managers when they encourage them to contact business advisors or to tap into a network of connections to help resolve a one-time issue or make a key decision.

*“Because of our mission, very wise industry folks will spend time with relatively young management. I highly recommend that other organizations develop this benefit. The industry person doesn’t have to give a lot, after all, it’s just a conversation with another smart person, yet he or she feels good about it and the young manager both learns something and gets a little ego boost.”*

Rick Aubry

EXECUTIVE DIRECTOR, RUBICON PROGRAMS

REDF has formalized one channel of access to experienced advisors. The Partners-for-Profit program brings together local business leaders who represent a variety of industries. These partners have offered to provide REDF investees with advice and guidance as well as with connections to their professional networks.

Social purpose enterprises can also tap into interest in their mission to structure longer term and more formal mentoring relationships for managers. Matching managers up with either Board or business advisory board members is usually a good start. Supervisors should also encourage their managers to identify and develop an informal

mentor relationship with at least one person who is completely outside the organization. Resources that help set expectations and provide tips for successful mentor relationships are readily available and increase the likely value of these kinds of relationships for both the mentee and mentor.

*“All of us have really benefited from the advice of the owners of a very similar but non-competing business. They have made a personal commitment to our success.”*

Laura McLatchy  
EXECUTIVE DIRECTOR, YOUTH INDUSTRY

Interactions with peers also offer a useful and relatively low-risk setting for learning. Peers both within the organization and at other social purpose enterprises are likely to understand the unique challenges that social entrepreneurship presents. At the same time as they offer a sympathetic ear, peers can draw on their own experiences to discuss different strategies to resolve a challenge or issue.

*“We’re now at the size that we can get some peer-to-peer reinforcement going. That support can be very valuable in professional development.”*

Maurice Lim Miller  
EXECUTIVE DIRECTOR, AND

Smaller organizations may want to help organize periodic peer get-togethers for enterprise directors or front-line managers from different social purpose enterprises. For example, the quarterly meeting of the Executive Directors and Business Managers of REDF investees provides an opportunity to both share ideas on a pre-selected topic of interest to the participants and to talk informally and swap stories with others in the field.

### **Leadership development through traditional training**

Social purpose enterprises can be well served by putting into practice one of the most traditional forms of leadership development, skill specific training. Successful social purpose enterprises have found there is value in mak-

ing the effort to provide their managers with structured professional development opportunities, whether internal or external training sessions or simply the impetus to learn through greater involvement in industry organizations.

*“Ensuring access to training and development opportunities not only improves the manager’s skill set, it communicates the value the organization places on their growth and personal development.”*

Carrie Portis  
DIRECTOR OF ENTERPRISE DEVELOPMENT  
RUBICON PROGRAMS

Once an organization reaches critical mass, it has the option of offering training and workshops in-house. Because they can be tailored very precisely to the organization, in-house workshops can be very on-target and can facilitate consistent learning across all attendees.

*“We currently do some professional development classes in-house. I can see us doing more in the future.”*

Maurice Lim Miller  
EXECUTIVE DIRECTOR, AND

On the flip side, organizing such workshops can be expensive and coordinating schedules quite challenging. Taking advantage of training offered by other organizations, for example through an industry group or a Chamber of Commerce, brings advantages of a larger scale as well as the opportunity to learn from participants from other companies.

*“Every year our staff and many of our employees attend the national screen printing convention. Each person attends different workshops according to their current skills and interests. Not only do we learn a lot as an organization, everyone comes back recharged and feeling more professional.”*

Marc Coudeyre  
ENTERPRISE DIRECTOR, ASHBURY IMAGES

In a smaller organization, managers with different responsibilities may also want differ-

ent kinds of training at specific points in their development. Social purpose enterprises in this situation may want to follow the example of for-profit businesses who annually allocate a certain amount of money for each manager to spend on the professional development opportunities they believe will be most useful for them.

*“While we didn’t offer a monetary incentive to our Business and Finance Director, we did provide a time incentive; CVE projects became school projects. And having an MBA on staff at that point in our development was critical. We needed a set of financials that made sense to the business world as well as the nonprofit world.”*

John Brauer  
EXECUTIVE DIRECTOR, CVE, INC.

Leaders of organizations can help future leaders stretch their industry specific skills by simply encouraging them to become involved in their professional community. Attending local breakfasts, meetings and trade shows as well as workshops can provide managers with new perspectives and insights. The costs of such participation can vary dramatically but there are usually a few relatively inexpensive ways to get involved, such as volunteering for committees. Because their unique nonprofit status often sets them apart from others in the industry, social purpose enterprise managers in particular can often benefit from making the effort to make these connections.

However, because involvement in the industry takes time that would otherwise be spent running the business, managers need to get a clear sign from their supervisors that this kind of professional development is a priority and to what degree.

*“I’d like to help my managers get more in contact with others in their industry, for example, to become associated with the local branch of a professional organization. Both making them feel more a part of the mainstream industry and taking them one step away from the day-to-day operations of the business for a short while would be very beneficial.”*

Laura McLatchy  
EXECUTIVE DIRECTOR, YOUTH INDUSTRY

Finally, social purpose enterprises can offer potential leaders opportunities to develop by helping advance the field of social entrepreneurship. Because the field is so young, it is comparatively easy for even relative newcomers to add to the body of knowledge. Simply providing managers the opportunity to attend meetings or participate in conferences can go a long way in stimulating their interest and contributions to the field. For example, the REDF Farber Fellows and Farber Intern programs both specifically include opportunities to attend conferences or programs focused on social entrepreneurship.

## Conclusion

Leadership development is still in its infancy at most social purpose enterprises. These organizations need to recognize the importance of this task and to start making conscious choices about how they develop the next generation. At the same time, funders of social purpose enterprises can make a huge difference by recognizing the value of building the “human capital” of the organizations whose programs they support. The kind of relatively low-cost investments in today’s managers described here

will reap large rewards in the future.

Nonetheless, social purpose enterprises must realize that valuable professional development for their field can and should also take place outside of the world of social entrepreneurs. Today’s leaders should support their best and brightest’s desires to continue to develop through academic programs or even work experience in the private sector. If they have a passion for social entrepreneurship, these individuals will come back as even stronger contributors and some of tomorrow’s leaders.

## Footnotes

- 1 Peter Wiamson, Era of the Network Leader in *Frontiers of Leadership: An Essential Reader*, Michel Syrett and Clare Hogg (eds.) (Oxford: Blackwell, 1992). Page 443. Quote from the Chairman of the BOC Group's remarks at the 1990 Stockton Lecture at the London Business School.
- 2 Christine Letts, William Ryan and Leah Grossman, *High Performance Nonprofit Organizations* (New York: John Wiley and Sons, 1999) Pages 110-125. Please see this discussion of motivation and retention of managers in private and non-profit organizations for more illustrations.
- 3 Letts, p. 117.
- 4 Letts, pp 107-125
- 5 Jay Coger, "Leaders: Born or Made?" in *Frontiers of Leadership: An Essential Reader*, Michel Syrett and Clare Hogg (eds.), Oxford, 1992. Page 366.
- 6 The Roberts Enterprise Development Fund and BTW Consultants – informing change, "The Challenge of Change: Implementation of a Venture Philanthropy Strategy," in the companion book to this volume, *Investor Perspectives*.
- 7 "The Venture Committee consists of representatives from REDF, the nonprofit executive director, the enterprise manager, and as appropriate, a Board member from the non-profit organization and an individual with direct expertise in the industrial sector of the enterprise. Together, the committee meets monthly to review financial and operational performance, identify areas of concern, and help ensure these concerns are addressed in accordance with the enterprise's business plan." The Roberts Enterprise Development Fund and BTW Consultants – informing change, "The Challenge of Change," in the companion book to this volume, *Investor Perspectives*.
- 8 Conger, p367
- 9 REDF has contracted with BTW – informing change to help each of its portfolio organizations conduct its own social outcome studies. For more information, see The Roberts Enterprise Development Fund and BTW Consultants – informing change, *The Challenge of Change*, section on outcome measurement.
- 10 Philip Sadler, *Managerial Leaders: Developing People with Leadership and Expertise* in *Frontiers of Leadership: An Essential Reader*, Michel Syrett and Clare Hogg (eds.), p. 383