Human Resource Development and Executive Leadership Succession Planning in Nonprofits

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ABSTRACT

This paper explores the challenges of executive leadership and human resource development in a nonprofit setting. While human capital is a vital asset to any organization, it is particularly vital to nonprofit organizations, which expect their employees to work for less, and often do more, than their counterparts at for-profit companies. Managing these resources presents some challenges. Some of these challenges are similar to the challenges that for-profits face, such as attracting and retaining talent and developing leaders. Some of the challenges are unique, such as managing volunteers and the high-burnout rates of non-profit employees. Executive Leadership Development (ELD) is also a critical challenge faced by nonprofits. However, all Human Resource Development (HRD) issues within a nonprofit setting must be tackled with the organization's mission in mind.

Keywords

Human Capital, Executive Leadership, Volunteers, Talent Development

HRD IN A NONPROFIT SETTING

Human Resource Development (HRD) is an important component of any successful organization. In today's knowledge-based economy, there is a growing demand for intellectual capital (IC). IC is the difference between a firm's market value and the cost of replacing its assets. This difference can be described as "things that we normally cannot put a price tag on" such as expertise, knowledge, and a firm's organizational learning ability (Reddy, Krishna, & Rao, 2012, p.1). Organizations must invest in their human capital, and leverage this asset to increase their productivity. Nonprofit organizations face unique HRD issues that many for-profit organizations do not. While both nonprofits and for-profits must attract and retain

talent and develop leaders, nonprofits are forced to do so with limited budgets and resources. Employers must find what motivates nonprofit employees, and develop creative ways to address issues that arise. Unique to nonprofits is the additional challenge of managing volunteers. These volunteers add huge value to nonprofits, but also come with their own set of challenges. Nonprofits face higher burnout rates for employees than for-profit organizations do, meaning that nonprofits are forced to reinvest in their human capital more often than their for-profit counterparts. Chief executive officer (CEO) succession is also considered to be particularly significant because the stakes are high for both internal and external constituencies, and CEOs carry with them tremendous symbolic and

substantive weight (Gastwirth, 2016). Froelich, McKee & Rathge (2011) explain that executive leadership is a critical component in the success of nonprofit organizations. Executive leaders working for nonprofit organizations face a unique set of job responsibilities and operational challenges that are specific to the nonprofit sector. Worth (2017) contends that "nonprofit management is a distinctive undertaking…[and] the unique characteristics of nonprofit management come together with the greatest significance in the position of the chief executive officer" (p. 107). Nonprofit leaders face significant differences from for-profit and other public sector organizations (PSOs) because they must consider the double bottom line, social impact, resource acquisition, transparency, the various agendas and often times complicated relationships with their organization's governing board, donors, volunteers, program beneficiaries and other stakeholders, all the while keeping the organization as a whole mission-focused (Worth, 2017).

Because of these challenges, it is often difficult to find the right CEO to take over a nonprofit organization when the current leader exits. In a study of eighteen CEOs of high-profile nonprofit organizations from 1994 - 2001, it was found that only one CEO was still leading their organization at the end of this period, leading some to view executive turnover rate in the sector as a revolving door (Santora, Sarros, & Esposito, 2013). This is why succession planning or the identification and development of potential successors for key positions in an organization, through a systematic evaluation process and training is critical to a nonprofit organization's success and should also be considered a key responsibility of acting executive leaders.

According to Santora (2004), surveys show that less than 50% of nonprofits plan for leadership succession. This is a huge risk because as Mckee & Froelich (2016) explain, "predicted shortages of chief executives combined with growing economic and social significance of the nonprofit sector in an increasingly complex operating environment highlight the need for executive succession planning" (p.88). As Santora (2004) highlights, some important tips for nonprofit leaders creating a succession plan are choosing a successor at an early stage, naming the successor, giving the successor leadership experience while sharing vital information with them, and once exiting the organization, not looking back. In addition to this, Wolfred (2008) points out another benefit of succession planning, stating that "succession planning can both energize and reassure a Board by providing…high-level strategy development…[and that they] ultimately find that this work generates unforeseen opportunities and excitement for the future" (p.3).

Succession plans help to ensure a smooth transition of power from one leader to another, adequately prepare the successor for their new position, and most importantly reduce the amount of disruption to stakeholders working to fulfill the organization's mission. Succession planning is a fundamental component to the success and longevity of organizations in the nonprofit sector and a key responsibility of those in executive leadership positions.

To maintain the double-bottom line, nonprofit leaders must find ways to deal with these critical issues. This paper will address these issues and present ideas for leaders on how to combat them.

ATTRACTING AND MAINTAINING TALENT

In today's economy, American employers find themselves struggling to attract and retain top talent. In 2009 when unemployment was 9.9%, candidates rushed to accept positions. Recent low employment rates have resulted in a more employee-driven market. Therefore, potential employees can demand more from their employers. In the nonprofit sector, this can create a hurdle for recruiting talent, especially when nonprofit organizations are limited in the resources and compensation that they can extend to employees. Also, employers are facing a demographic shift in today's workforce as baby-boomers retire. By 2020, millennials will make up 50% of the workforce, and employers must balance the demands of this emerging workforce against the demands of an older workforce (Wang, Lawrence, & Nagarathnam, 2018). Nonprofit organizations face the daunting task of competing with corporate giants and finding creative solutions to these roadblocks.

Recruitment is a difficult process within any organization. The time to fill a position in the United States hit a record high of 29 days in January 2016. "This figure has been climbing since the financial crisis peaked and reflects falling unemployment and a tightening labor market" (Howden, 2018). Because of the limited financial resources available to nonprofits, there is often little room to negotiate with potential candidates for compensation. Therefore, nonprofit organizations tend to take a different approach to their hiring process as compared to for-profit companies. The typical steps to recruitment in a nonprofit are to look internally first or to reassign the job responsibilities to current staff, according to a 2013 survey (Nonprofit HR, 2013). Unexpected turnover in the middle of a budget year can be difficult to manage for nonprofit organizations, as budgets are often inflexible. The reassignment of job responsibilities is often used as a fast solution, although not without particular consequences that affect the organization's retention rate. "Increasing work responsibilities without the addition of internal resources can create negative and unintended consequences for organizations" (Nonprofit HR, 2013, p. 7). The survey results indicate that hiring process norms within nonprofits are to recruit externally for entry-level roles, promote internally for mid-level roles, and to recruit professional leadership positions from other nonprofit organizations (Nonprofit HR, 2013). The key to a successful transition for these employees is recognition. The same study found that "when meaningful recognition for achievements is lacking within organizations, many employees use their pay to assess their value to the organization" (Nonprofit HR, 2013, p. 13). It is important for nonprofits to recognize the contributions of their employees, especially when these employees are asked to take on new roles and responsibility.

Compensation can be a difficult hurdle for employers as they look to recruit and retain talent across generations. It was previously thought that millennial employees were not motivated primarily by compensation and that the nonprofit industry could use that to their advantage to capitalize on an intrinsic motivation agenda when engaging a potential candidate. To this end, social responsibility is often used to market open positions toward younger workers. However, recent studies have concluded that compensation is an essential factor for millennial employees, and nonprofits are not competing in this arena. Wages for employees at nonprofits are, on average, "$3.36 per hour less than those of their

counterparts employed by for-profits. Once the cost of benefits is added in, the difference in total compensation is $4.67 per hour less" (Bishow & Monaco, 2016).

McGinnis (2011) compared the manner in which nonprofit organizations paid their youngest generation of talent compared to the for-profit sector. The data from a sample of 36,000 millennial (or Generation Y) employees across a mixed sector of industries specified that compensation and promotion were extremely significant for millennials and that the previous position of other generations within nonprofit of intrinsic motivation will not resonate with the majority of the younger workforce (McGinnis, 2011).

Nonprofits can offer other benefits such as health care and flexible hours in an attempt to close the wage gap between their salaries and those of for-profit companies. "Eighty-one percent of all workers at nonprofit establishments are offered medical plans by their employers, compared with 67 percent of workers at for-profit establishments" (Bishow & Monaco, 2016). Strategies such as providing strong health benefits for the employee and their families, flex scheduling or telecommuting, and family oriented work cultures are highly sought after by candidates. Millennials are especially attracted to flexible work schedules. One recruiter has stated, "wanting flexibility or work-life balance is the number one thing we hear all the time from candidates. It's the number one reason why people are looking for a new job" (Schulte, 2011). Part of this stems from the changing demographics of the younger workforce. Eighty percent of millennials are part of dual-income couples where both work full time – while only 47 percent of baby-boomers have dual-income households (Schulte, 2011). By providing flexibility, non-profit employees can attract these young employees, and work to promote them from within.

To reach these new employees, an interesting approach is emerging of recruiting on social media. While nonprofits have traditionally looked internally for new candidates, they are now turning to social media as an innovative way to recruit new talent. Social media recruitment is an up and coming strategy that is proving to be successful. "The integration of social media outlets in nonprofit recruiting practices will continue to emerge as a growing trend as more and more job seekers will rely on social media to alert them to career opportunities" (Nonprofit HR, 2018, p. 15). This is one creative solution that nonprofits can take to recruit the next generation workforce. As older employees who were motivated by values intrinsic to nonprofits retire, nonprofits can reach millennials by appealing to their social nature through technology.

EXECUTIVE LEADERSHIP DEVELOPMENT

Leadership development receives a tremendous amount of attention in both the nonprofit and for-profit sectors. Both types of organizations have goals, values, and strategies that must be implemented and achieved. However, there are fundamental differences in a business direction that exist simply due to the core purpose of these two very different entities.

The primary focus in for-profit organizations is financial results. Whether a private company or a publicly traded entity, the emphasis is on the "bottom line." Conversely, while a non-profit entity may want to make money and reinvest it back into the company, the primary focus is mission based. Leadership is necessary for both nonprofit and for-profit

companies, but do the specific skills and competencies required differ?

The complex relationship among nonprofit organizations' stakeholders requires leadership that is especially skilled in such things as negotiation, compromise, and the soft-skills of dealing with volunteers and other entities that make the nonprofit viable (Worth, 2017). There is a strong alignment between nonprofit leaders and social responsibility, and non-profit leaders score higher than their for-profit counterparts on a socially responsible cultural orientation (Sarros, Cooper, & Santora, 2011). When examining the link between leadership and innovation, Sarros et al. (2011) found that for-profit leaders are tasked with possessing not only a keen understanding of the financial impact on their respective business lines but also other skill sets and characteristics such as a predilection for competition and a drive for results. Specifically, the competitive orientation of for-profit leaders informed the connection between their own leadership vision and their level of support for innovation.

In general, the overall dimensions of leadership studied in each sector show more similarity than differences (Thach & Thompson, 2007). Universal functions of leadership such as planning, organizing, leading and controlling are seen at similar levels in both for-profit and nonprofit companies. However, there are some slight differences in competencies and values. For example, conflict management skills have been seen in slightly higher levels in non-profit leaders. Does this skill become more finely tuned due to the nature of managing multiple stakeholders with competing priorities? Does the slightly higher competitive orientation of for-profit leaders derive from the pressure of meeting financial deadlines? The reasons for these slight

differences remains unclear given the many similarities in for-profit and nonprofit leaders. According to Thach & Thompson (2007), "leaders from both sectors assigned similarly high rankings to the importance of leadership skills for achieving business results. This result supports the premise that leadership skills are important regardless of the type of organization being managed" (p. 371). In other words, leaders in both sectors agree that basic leadership skills are important, but exactly which skills are more prevalent and pertinent to one type of organization over another, remains undecided.

Job Expectations of Nonprofit Executives

One of the most important aspects of successful nonprofit organizations is their executive leadership. An executive leader in a nonprofit organization is responsible for establishing and executing major goals and objectives based on the mission of the organization. The executive must understand the mission, keep the mission prominently in mind when making decisions, and guard against mission drift (Worth, 2017). However, to make these decisions, leaders should possess certain qualities that create a balance between emotional intelligence and measurable business results. It is said that an effective leader should possess qualities such as intelligence, toughness, determination, and vision (Goleman, 2004). While these traits are important, nonprofit executive effectiveness results from having the right person in the right job at the right time (Worth, 2017). Truly effective leaders are also distinguished by a high degree of emotional intelligence, which includes self-awareness, self-regulation, motivation, empathy, and social skills (Goleman, 2004). Nonprofit executives must oversee many aspects of the organization from

creating, implementing and evaluating programs to fundraising, marketing and communications. The qualities listed above assist an executive in these duties and assure success and viability of the organization's mission. As Figure 1 illustrates, CEOs of NPOs should deal with these HRD challenges as what some management theorists referred to as the paradigm of managing up, down, and across (Anicich & Hirsh, 2017). Even though as CEOs, NPO executive leaders find themselves in the 'messy' middle, to manage up by reorganizing the board and some are also tasked with recruiting and developing members of the Board of Directors whom they report to. CEOs of NPOs are often times confronted by the challenge of managing across by implementing a radical improvement in operational efficiency and by also changing programmatic strategy. Finally, CEOs of NPOs have to manage down by dealing with staff, and volunteers.

Figure 1. **The Messy Middle - Managing Up, Down, and Across**
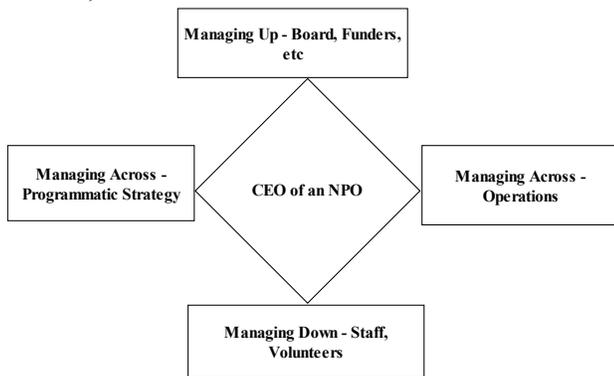
Nonprofit organizations enjoy considerable autonomy in defining their missions, setting their own goals, and crafting their strategies for achieving those goals (Worth, 2017). With this autonomy comes responsibility and accountability on the part of the executive and Board of Directors. To be accountable essentially means being required to answer for, and to take responsibility for one's actions; and regarding a nonprofit, accountability means, in its narrowest

concept, following the law (Worth, 2017). Accountability of a nonprofit executive should include more than just exhibiting model behavior and avoiding transgressions. It needs to encompass effectiveness in achieving the purpose for which the nonprofit exists (Worth, 2017). Effective leaders demonstrate accountability through transparency by holding nonprofit behavior up in clear view for donors, the media, and all stakeholders. Today's business leaders regularly face complex ethical challenges that impact themselves, their organization, and other stakeholders. Recognizing these challenges allows them to learn to avoid ethical danger zones and become more effective leaders (Messick, Bazerman, & Stewart, 2006). Developing a framework to improve ethical decision making entails quality, breadth, and honesty (Messick et al., 2006), which allows an executive to establish standards and procedures to ensure legal and ethical behavior. It is also necessary for the executive to put these policies into practice in the organization's daily operations and set an example through his or her behavior. This is most important in the chief executive's responsibilities of managing assets, revenues, and expenditures on a day-to-day basis and ensuring that controls are in place to protect the organization against fraud or waste. In addition to these management and operating standards, nonprofit leaders must develop skills that position them in the role of leaders of their organization.

Leading Change

There are many different styles and skill sets needed for leadership in the nonprofit sector. Schmid (2006) describes leadership as a "dynamic concept that involves processes of constant change in leaders themselves, their followers and the situations that they encounter"

(p. 180). Various contingency theories help support the research on executive leadership, which attempt to link some leadership patterns, and different organizational and personal situations together. Nonprofit leaders also need to be able to create a vision for their organization. Bennis and Nanus (2006) stated that "the critical point is that the vision articulates a view of a realistic, credible, attractive future for the organization, a condition that is better in some important ways than what now exists" (p. 181). However, the creation of the vision is not enough; a nonprofit leader must be able to convey that vision to followers, be able to express the vision to them visibly, as well as be able to gain and rally their support. A nonprofit leader has a very distinct role in an organization. He or she must be capable of "coping with challenges, opportunities, risks, [and] constraints of the organization's environment" (Bennis & Nanus, 2006, p. 181).

A nonprofit leader needs to establish relationships with the followers. Nonprofit CEOs will be unable to achieve their desired goals or vision without the support and understanding of their followers. This is one of the many reasons why, as a leader, a positive relationship with followers is so important. Organizational culture is shaped by a leader's values and beliefs and is communicated through norms, artifacts, and behavioral patterns (Hogan & Coote, 2014). These values become social determinants for an organization's routines and practices, and they enable the conditions and climate to influence employee behavior and creativity powerfully (Hogan & Coote, 2014). As House and Baetz (1979) describe, "an action by a group member becomes an act of leadership when the act is perceived by another member of the group as an acceptable attempt to influence that person or more members of that group" (2006, p. 181).

Based on what House and Baetz (1979) describe, it means a leader can achieve this skillset through social demonstrations. Nonprofit executives cultivate a powerful image when they are empathetic and considerate of their followers. Relationships are built on a solid foundation of trust and equality. When a leader exhibits these traits and emotions, a leader's followers will perceive it as accepting and find favorable characteristics within their leader.

Literature is abundant on what constitutes leadership. An early idea was through "great man" theories from the nineteenth century. "Great man" theories described leaders based on their traits, emotional intelligence, empathy, charisma, and humanity (Worth, 2017). Now, the belief is that a leader should be more focused on completing tasks rather than motivating people and that they should use their influence and symbolism for leading delegations (Kearns, Livingston, Scherer, & McShane, 2015). The decision-making style of a leader is also viewed as an important determining factor of whether or not they will prove to be successful. Very little research has been done on how CEOs and executive leaders, as professionals, interpret the skills they use in their daily leadership roles and tasks. This is surprising since CEOs have such a strong, powerful, authoritative and responsible role in organizations and what success they achieve.

Arguments arise that say leaders are not selected, trained or evaluated based on their personality traits. Rather leaders are selected according to the extent that their qualities adapt and fit different changing organizational situations. Through an organization's life cycle, new and different types of leaders are necessary because they have different qualities that are appropriate for the specific stage of development

in the organization. Transformational and charismatic leadership are two forms of leadership that can be beneficial for nonprofit executives to utilize. Transformational leaders are viewed as leaders that treat followers in an individual way. As Worth (2017) explains, "[transformational leadership] offers an approach to leading organizations- especially those that are values based and mission driven…empower[ing] individuals to go beyond self-interest and pursue goals that are in common interest…" (p. 112-3). Transformational leadership is a style that can help to motivate both internal and external stakeholders to commit to the mission of a nonprofit and leaders adopting this style gratify followers' emotional and personal needs while promoting their growth and fulfillment. Charismatic leadership is also an important style that nonprofit leaders can adopt to fit their needs. Charismatic leaders are known to be vision-oriented and advocates for change that utilize persuasion to influence followers and pursue novel and unconventional strategies to work towards vision achievement (Worth, 2017). Charismatic nonprofit leaders can use their skill set to effectively deal with the unique challenges of managing the double bottom line in order to accomplish organization mission and vision.

It is important to note the difference between management and leadership. Management is concerned with making things work in day-to-day operations while leadership is about purpose, vision, and direction (Worth, 2017). As Worth (2017) mentions, "All organizations need both leadership and management to be successful in the long run [however] nonprofit organizations especially, need leadership" (p, 109). "Leaders add value by thinking abstractly and strategically, articulating a vision and purpose for followers, and providing a

vision, and even hope, for workers" (Kearns et al., 2015, p. 713). Leaders are distinguishable based on interpersonal skills, good judgment, and character. These traits and qualities are what distinguish an effective leader from an adequate one (Worth, 2017).

Change is a fundamental component of leadership. "Some...argue that leadership is inherently change-oriented-that the function of management is to protect and nurture the status quo, while the function of leadership is to continually examine a better way of doing things" (Worth, 2017, p. 124). Ultimately, the success and survival of the organization are what is most important. If the leader is unable to adapt his or her behavior patterns to the situation at hand, it is best to choose a new leader with the appropriate qualities. Planning for these changes is crucial to the success and longevity of the organization's future.

Planning for the organization's future is a shared responsibility of the board and the CEO. The notion of succession planning spans a range from any efforts to plan for top management succession to an expansive view of systematic internal development (Froelich et al., 2011). The CEO plays a role in developing the leadership of the board, both informally and often as a member of the board's nominating committee to ensure leadership continuity in key positions. There is increasing emphasis on the importance of the CEO to develop a bench of qualified successors to assist in preparing the way for a smooth transition when he or she may leave the chief executive's position (Worth, 2017). The idea of succession planning can create unnecessary fear and anxiety on the board, staff, and even for the executive. However, successful organizations built on positive, open relationships are associated with succession plans that are based on higher

organizational performance leading to smoother transitions. Both the board and the current CEO play major roles in the management succession process, including planning for, recruiting, and developing future leadership (Froelich et al., 2011). Looking internally for successors sometimes proves difficult to yield sufficient numbers of qualified candidates in nonprofit organizations due to the lack of leadership development. For these reasons, many nonprofits may try targeting nontraditional labor pools, such as near-retirees, transitioning veterans, and women managers returning to the workforce (Froelich et al., 2011). Of course, an internal search for candidates could yield individuals with experience and knowledge of the organization, its players and environment, providing continuity and significant value (Froelich et al., 2011). Regardless of the avenue chosen to search for a successor, the person selected should exhibit the determination to live the mission, vision, and values of the organization and position herself or himself as someone able and willing to promote both a successful change in leadership as well as ensure the ongoing success of the organization.

Executive Succession Planning

Regardless if an organization is for-profit or nonprofit, it is crucial to have a well-documented and well laid out succession plan in place. As Worth (2017) has stated, succession planning in the nonprofit sector has "gained increased urgency as the nonprofit sector prepares for a significant transfer in leadership" (p. 122). In the coming years as baby boomers are replaced by those in Generation X and the Millennials, their knowledge and experience in the workforce will be lost. The transition of the CEO can be a particularly difficult time for any organization. Sometimes this need for change is recognized and

initiated by the organization's Board of Directors and other times it is initiated by the CEO (Worth, 2017). Having a succession plan is important for when a change in leadership is initiated by the board, but it is imperative in the case of the sudden departure of an executive. There can be many different reasons for a CEO's sudden departure. An executive may have received an offer from another organization, felt they had completed everything they set out to do, or fallen ill and can no longer complete the duties needed of them (Worth, 2017). These sudden changes are tough on any organization but can be particularly difficult on nonprofit organizations who typically do not have the financial capacity to retain people on staff that can step in when an executive leaves abruptly.

Many for-profit organizations' CEOs rise from within the organization. These individuals understand the company culture, know the business and its values, and have seen the organization grow. They know what has worked and what has not, and have a sense of direction for the organization. However, the same cannot always be said about nonprofits. The nonprofit organization is "thinly staffed and tightly budgeted and cannot afford the luxury of a number-two executive with the capability of the CEO" (Worth, 2017 p. 123). This is especially true for newly established nonprofits as well as smaller nonprofit organizations who may have a founder acting as CEO. This environment might not be conducive in providing opportunities for someone within the organization to be developed and prepared for leadership. Because of this, a CEO may be appointed who is a virtual stranger to the organization with no chance to see how they work in more junior positions. This carries the real risk of picking the wrong person and

potentially compromising the effectiveness and stability of the organization.

For these reasons, it is becoming more and more important for nonprofits to develop succession plans to deal with the known and unknown departure of an organization's CEO. Whether the CEO is brought up through ranks of the organization or is brought on from outside the organization, there are several components needed in an organization's executive succession plan. These plans start with a nonprofit's current CEO. As Worth (2017) mentions, "the CEO can prepare for the possibility of a transition, whether planned or unexpected, by developing systems, documenting policies and procedures, and sharing responsibility with others in a way that will make it possible for a successor, or perhaps an interim director, to maintain the organization's activities with minimum disruption" (p. 123). Some key elements of a succession plan are identifying job requirements, building competencies, identifying key positions and possible internal candidates for those positions, and finally assessing the progress of the succession plan and modifying if needed.

The first component of a succession plan would be identifying the key positions surrounding the succession plan and any possible internal candidates who can fill these positions. Without first identifying what positions need to be planned for, it will be impossible for an organization to know which areas to focus. By understanding which positions are critical and require a succession plan, it makes it easier to understand what these positions entail and what can be fulfilled internally. There may be more than one employee who can fulfill this requirement. That is why it is important to have a succession plan laid out because it will be easier to identify these individuals as time goes on. This is why it is also important to have the key job

requirements for the position established, so there is a set of metrics to judge potential candidates against. By understanding what requirements are needed for the executive position, it will be easier to see what qualities internal candidates already have and what qualities need to be developed for possible internal candidates.

The potential candidates must be not only qualified to fill the role of a CEO but also competent to rise to the task at hand. By definition, a competency is a group of related skills, abilities, and knowledge that enables a person to act effectively in a situation (Worth, 2017). These competencies go much further than that of simply listing job requirements, but identifying how those job requirements would be applied to actual situations within the organization. These competencies should ultimately be supportive of the organization's mission. "The mission is the nonprofits reason for existence, and the CEO should use it to guide every decision" (Worth, 2017, p. 117). Just as every decision a CEO makes should be supportive of the mission, so too should be the competencies used to develop the requirements for the CEO. The final component of the succession plan is to be constantly assessing the plan's progress and modifying the succession plan as needed. This component of the succession plan can be argued as the most important part of the plan. By ensuring that the plan is up to date, organizations will minimize the risk of picking a successor to the CEO based on competencies that no longer support the organization and its mission. Succession planning in the nonprofit sector holds tremendous value. By having a succession plan in place, a nonprofit organization is stabilizing itself for the future and ensuring that those who are supported by its actions will continue to be. Transition is difficult for any organization. But by

having a plan in place, many of these nonprofit organizations ensure that their missions will continue to be achieved by people who have the skills and competencies to do so.

OTHER CRITICAL HRD FUNCTIONS IN NPOS

Today more than ever HRD is needed in nonprofit organizations. With a declining volunteer population, greater dependence on permanent staff, and demand for improved organizational structure and greater accountability HRD expertise is needed to help these agencies more carefully align personnel requirements and organizational structures with missions and business objectives (Wilensky & Hansen, 2001). To nurture cultures in which new systems of performance management can thrive, successful management of employee burn out, and efficient interaction with staff and volunteers, NPO executives should be abreast with HRD functions.

Staff and Volunteer Interaction

As part of the HRD function within nonprofit organizations is the recognition that volunteers are an integral part of many NPOs. In fact, in 2013 the Corporation for National and Community Service estimated that 63 million Americans volunteered (Worth, 2017). However, volunteers are often underutilized or mismanaged. One study found that "more than one-third of those who volunteer one year do not donate their time the next year—at any nonprofit" (Isner, Grimm, Maynard, & Washburn, 2009, p. 37). There are a number of reasons individuals volunteer: to learn a new skill, meet new people, to give back to their community, or to feel good about doing something for someone else. To tap into this invaluable resource, nonprofit leaders

must manage their volunteers in effective and meaningful ways. If done correctly, these individuals can help nonprofits to sustain their mission.

NPOs must find the most effective way to manage all types of volunteers, develop their skills, and retain trained volunteers for the long run. Dissatisfied volunteers could adversely hurt the performance of the NPO (Chen, Chen, & Chen, 2010). While it can be challenging to assign a financial value on the impact of volunteers to an organization, many NPOs would be unable to function without volunteers – thus the importance of managing this valuable asset.

Kahn's (1990) personal engagement theory suggests that engagement is a key motivational concept. Individuals who are engaged allocate resources toward their role, and they intensely and persistently apply these resources to role performance. This theory also asserts that supportive organizational contexts yield high levels of engagement, which leads to positive outcomes since individuals work within settings where they feel safe to express their true self and connect with others (Garner & Garner, 2011). This theory is key for leaders as they develop and retain volunteers with fiduciary limitations.

Not only do nonprofits need to manage volunteers effectively – they need to identify different kinds of volunteers, and manage each type effectively and differently. Volunteers may only have a short amount of time in their schedule to dedicate to their local nonprofit. These episodic volunteers, those who participate on only one occasional or multiple occasions for a short period are common but are difficult to manage. For HRD professionals within the nonprofit, accommodating training for those types of volunteers is not always cost effective. Managers

should focus their efforts on regular volunteers, because they perform duties that require specialized skills on an on-going basis (Worth, 2017).

Once these regular volunteers are trained, retention becomes very important. Volunteers tend to stay engaged when they see that the work they do is meaningful or accomplishes something when they feel recognized and appreciated for their efforts, and when they enjoy the work environment and the people within the organization (Ellis, 2013). These are fairly easy variables for any nonprofit organization to control. If managers focus on these issues, they will make strides in retaining a happy volunteer workforce.

Nonprofit managers must focus their efforts on treating their volunteers with respect and gratitude. While the practice of HRD in the nonprofit world face many challenges that the for-profit industry do not, one skill that must be carried over is treating human capital with respect. When volunteers are treated well and feel respected, they will often stay with an organization for an extended period. This free human capital can make a huge difference to an organization with a small workforce and limited funding.

Managing Burnout

The NPOs that operated in the past functioned during a period of tremendous growth, which saw a significant influx of available funding for creative work in the area of human services. Additionally, each nonprofit organization had significantly more flexibility in the management of organizational affairs. The 1980s and '90s ushered in an era of critical change, which saw increasing market competition that inevitably made the task of operating an NPO

significantly more complex. During this period, more stringent business demands were placed on nonprofit organizations, which drove the organizations to become more accountable and organizationally driven. This resulted in a "heavy human debt." Staff burnout was a result of the "need to replace diminished financial capital with human capital. The downside of this type of organization is that its workers frequently exploit themselves in service of the organizational purpose to the detriment of their own quality of life" (Kaplan, 1992, p. 24).

Today, NPOs struggle to meet the demands of an ever-changing competitive environment which requires "business-like" accountability and the need to achieve organizational effectiveness. Modern NPOs suffer from trying to meet a double bottom line, which demands an incredible level of commitment and self–sacrifice of an organization's staff and leadership.

The measure of well-being and burnout among nonprofit's executive directors, staff and volunteers have been critically linked to the success or failure of the NPO. "Burnout" is described as the "emotional exhaustion, depersonalization and lack of personal accomplishment" which arises in individuals who perform human service related work" (Olinske & Hellman, 2017, p. 97). Job-related stressors tend to transform into exhaustion and can further mutate into depersonalization, which is exhibited as cynicism. This situation, if left unimproved, will cause an individual to begin to experience a lack of personal accomplishment and ultimately cause burnout (Olinske & Hellman, 2017, p. 97). Additionally, "other demands, such as heavy workload, time pressure, and conflicts related to an individual's positions supporting human service organization could be directly connected

with indicators of burnout" (Olinske & Hellman, 2017, p. 98).

The entire NPO, from the board of directors to the staff and volunteers, play a critical role in ensuring that employees are protected from the potentially devastating impacts of nonprofit burnout. An organization's board of directors should provide the necessary leadership to effectively reduce the overall stress within the organization. Their primary responsibility begins with a dedicated strategic planning effort focused on minimizing the potential causes of harmful stress. The board plays a critical function in the identification and definition of the executive staff's roles and responsibilities. Additionally, the board should provide the staff with an opportunity to qualify for extended leave options to reduce the potential impacts of harmful stress. Finally, the board must actively participate in the critical processes necessary to sustain the organization's mission (Olinske & Hellman, 2017).

The executive leadership, in conjunction with the organizational staff, must work to develop a culture that attempts to reduce, or even eliminate, organizational stress across all levels (Vincent & Marmo, 2018). "Funding initiatives such as training opportunities, multiyear grant consideration and sabbaticals, and job coaches are area where foundations can lend financial support and make a big difference day-to-day for the nonprofit organization" (Olinske & Hellman, 2017, p. 105).

In time, as the entire NPO takes ownership of the critical HRD functions which exist within the organization, they become accountable for the overall welfare of the staff, and significant progress is made toward eliminating the potential occurrence of burnout. These simple recommendations provide the necessary momentum to drive critical change within an organization, which results in a more satisfying working environment and reduces the toll on an organization's resources (Olinske & Hellman, 2017).

CONCLUSIONS

There are many complex challenges involved in managing and leading a nonprofit organization, ranging from retaining their tax exemption, lobbying and obtaining donations, to name just a few. Human Resource Development is one of the most important aspects of running a viable nonprofit organization. As such, attracting and retaining talent, developing leaders, staff and volunteer interaction and managing burnout are just a few of the challenges that can affect a nonprofit's chances of success.

To add to the complexity of managing human capital in the nonprofit sector, many small NPOs do not have HRD expertise and resources. Often, the role of developing and managing the human capital fall on the CEO or other top leadership within the organization – leading to the complexity of managing the human capital of NPOs. This will continue to be an issue as nonprofits continue to do more with less.

Although this paper only addresses a few of the challenges nonprofit executives face, along with how to mitigate them, nonprofits must continue to adapt to the changing landscape of managing human capital. As employee and organizational needs change over time, companies must react to ensure that they retain their best resources - human capital.

Executive leadership imposes challenges and creates obstacles in both nonprofit and for-profit organizations; however, the executive leadership within NPOs face not only the typical challenges of planning, developing, and execution but also the social impact the organization is making, relationship building, policy and

regulations, and fulfilling the double bottom line, all within a thin and pre-established budget (Milde & Yawson, 2017). The CEO of a non-profit is key to the success and well-being of the entire organization, which makes it crucial for a CEO to have a well-thought and established succession plan before his or her planned departure. Having a succession plan not only allows the members of the organization to feel secure about the future of the corporation but it also creates a sense of comfort that the existing mission will be carried on with the next successor. The key to a successful transition is to be prepared for both, planned and abrupt departure of the CEO. Since the role of the CEO is typically filled by a person from the outside of the organization, there is a risk of the successor not being familiar with the mission and vision of the organization. Having a succession plan for an abrupt departure of the CEO allows for preparation and adequate decision making when choosing a new candidate.

The role of a CEO in a nonprofit carries a huge responsibility for the members of the entire organization and also the mission of the organization to distinguish itself from others. Choosing an executive leader who possesses the required skills is crucial, but one that has strong emotional intelligence and the ability to gain followers is critical for the role of a nonprofit CEO. A leader will not be able to drive the organization to its success if the followers do not recognize the importance of the actions taken. This can be even more challenging since the turnover rate within the nonprofit executive leadership is much higher than in a for-profit organization. The followers may be more resistant to the constant change in the leadership, which means the CEO must also be able to be a transitional leader who influences and gains trust in a very short period. A successful succession plan takes into account the role of a transitional leader, the specific skills the role requires, and the challenges that come with it. As Worth (2017) reflects, "the process cannot be rushed, and it is often about far more than just finding someone qualified for the job. To define who may be the right person in the right place at the right time, the organization must have a clear understanding of its past, its purpose, its constituencies, and its aspirations" (p. 123). The role of a nonprofit executive leader can be exceptionally rewarding and attractive, but for a CEO to be successful, he or she must be armed with a solid and thorough succession plan and the understanding of the entire HRD function within NPOs.

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