



Retaining Talent in a Tough World

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Providing nonprofit organizations and their supporters with the business and management skills they need to carry out their missions



INTRODUCTION

The nonprofit sector is a people-intensive business. With the exception of the relatively few all-volunteer organizations, most nonprofit organizations dedicate anywhere from 50 to 75 percent of their operating budget to personnel. This represents a huge outlay of precious resources. Do nonprofits protect this vital asset wisely?

In this article, we would like to lay out a reality-based model for investing in a nonprofit's staff that encourages that all-too-rare phenomenon: Competent, motivated staff remaining at an organization for a lengthy tenure.

THE CRUCIAL STAFF-MISSION LINK

What nonprofit leader wouldn't endorse this goal? Certainly, anyone who's witnessed the premature departure of a skilled, capable employee knows the individual and organizational stress such a transition creates. At the same time, we have often seen nonprofits refuse to make the organizational shifts necessary to support greater staff retention. We know of many nonprofits who fail to make a sufficient investment in their staff, justifying their inaction with some variation on the "We're too busy fulfilling our mission to divert time or resources to our staff" theme. Since the primary vehicle for achieving a nonprofit's mission *is* the staff, we find this distinction inadequate at best and self-defeating at worst. Some organizations find a different way to underinvest in staff: They express verbal commitment ("We couldn't do all we do without our wonderful staff") yet fail to translate moral support into concrete action.

Painful as it is, failure to make a sufficient investment can have a significant impact on an organization's ability to achieve its mission. Two recent situations come to mind:

- At the leadership level, TDC knows of an advocacy organization that was ill-prepared when its founding director left the organization. The board of directors rushed to find a replacement, and hired an individual who lacked the necessary ability to convene a diverse group of strong-willed individuals. The result: Organizational disruption, and the inability of the organization to provide a much-needed voice in the public policy arena.
- At a social service organization, TDC encountered a pattern of good, skilled entry-level staff successfully recruited and trained, only to see them leave within six months. The turnover

rate was over 50 percent, almost twice the national rate of child care teachers, which is a chronically high burnout, low pay profession. What accounted for such low retention, especially when by all accounts the hiring process was a good one?

Upon further investigation, TDC traced the issue back to the supervisor, who practiced a classic nonprofit sink-or-swim approach to managing staff: She allowed the staff—enthusiastic but untrained—to be placed in situations where they were confronted with challenging, occasionally violent, clients. Staff bravely tried to find ways to meet the needs of the clients, but with neither the skills nor the support, they often failed. Feeling unsuccessful and/or isolated, they quickly resigned, allowing a cycle of frustration and defeat to perpetuate itself. Remaining staff felt additionally burdened, services to clients suffered, and the organization earned the reputation as a difficult place to work.

STRATEGIC HUMAN RESOURCE QUESTIONS TO ASK

The issue, then, is not *should* we invest in our staff, but *how* should we do it, and *who* on the staff or board will take the lead in making sure it occurs?

In the ideal world, all nonprofits would have a senior-level human resources professional who could champion the needs of the staff, ensuring that human resource goals were thoughtfully aligned with other strategic goals of the organization. Larger institutions do have one or more managers with dedicated human resource responsibilities. Smaller nonprofits tend to lump the human resource function into job responsibilities held by the executive director, or more frequently by the CFO or the office manager. Regardless of size of organization, the result is similar: Human resource work is viewed as transactional (processing forms, placing ads for job vacancies, scheduling interviews, etc.) and administrative function.

What's missing is that the human resource function is not seen in strategic terms. The individual who takes on a strategic human resources role asks such questions as:

- What kind of staff do we need today?
- What kind of staff will we need in one, two or five years? Can we find them from within if we initiate a plan to develop our staff?

- What kinds of reward systems should we envision, given the often contradictory pressures of financial resources and staff expectations?
- Are our current managers capable of providing the thoughtful supervision needed to retain high performing staff or address under performing ones?
- In short, what do we need to do to link human resource planning with larger strategic or program planning?

WHO DOES WHAT?

And *who* should be asking these questions? To a large extent, whoever in the organization is given responsibility to *answer* the questions. Generally, this means a combination of board and staff leadership.

At the board level, strategic planning is the appropriate venue for raising these issues. As part of its work to set out a clear vision for the organization, the board of directors needs to first describe what the staff of the future may look like, and then explicitly commit to investing the organization's resources to recruiting and retaining staff. They then need to follow up by ensuring the executive director provides regular updates on progress. The board of directors also has a particular responsibility to model its commitment to investing in staff by investing in the one staff position they directly supervise: the CEO. Without fail, they need to conduct an annual performance review and an accompanying annual salary review. Not doing so can undermine whatever else good is happening within the organization.

At the staff level, the executive director (and other senior managers, if the organization is large enough to have them) must take the lead in operationalizing the board's commitment to invest in the staff. This means a combination of:

- Preparing the staff equivalent of pro formas—projecting out for several years possible staffing scenarios (and associated costs), based on anticipated program direction and the associated need for administrative and fundraising staff support;
- Researching alternative approaches for compensation, such as group rewards, or bonuses for all staff (not just senior staff) who successfully meet agreed upon goals;
- Identifying any skill deficiencies in the current staff based on anticipated needs and developing cross-training, just-in-time training plans, and the like;

- Critically assessing the supervisory skills of all managers and providing training and/or coaching for those with poor people skills; and
- Devising methods to regularly solicit input from everyone on staff on whatever key human resource issues the organization faces.

Granted, all these actions require time, money and—in some cases—expertise. Increasingly, foundations are funding staff capacity initiatives, so that the cost of hiring a consultant or trainer may be partially or completely underwritten.

RETENTION: WHAT DOES IT TAKE?

Nowhere is the need for strategic human resources as crucial as in the area of staff retention. The short- and long-term implications for developing a meaningful retention strategy cannot be overemphasized.

First consider the wider environment. A smaller worker pool, the ever-expanding number of nonprofit organizations, and the myriad appeals of a for-profit job all conspire to draw away talented employees. An organization that fails to plan to replace both the current leadership and the line staff faces an uphill struggle to achieve its mission.

So what does it take to retain staff? For one thing, an organization needs to understand who constitutes the current and potential workforce and plan accordingly. Sociologists have provided ample information on the differences between aging Baby Boomers and the next population grouping, Gen-Xers. Thinking through what appeals to Gen-Xers—and Gen Y, for that matter—is essential. Even better, ask the members of Gen X and Y on staff what they want. Relying on old assumptions (an employee's institutional loyalty, willingness to accept low wages when other job options exist, the desire to do the same job for long periods of time) becomes increasingly invalid.

Secondly, each nonprofit must assess the financial and organizational impact of *not* investing in its staff. There exists an old adage, backed up by research, that says, "An employee arrives because of the organization, and leaves because of the supervisor." Accordingly, all organizations must ensure that managers follow through on their obligation to provide meaningful and timely feedback to all staff—exemplary performers and under-achievers alike. Failure to do so can create problematic situations similar to the ones described above. The great thing about feedback—perhaps the most successful staff retention tool—is that it's an investment that requires time and effort

but not financial outlay.

Finally, just as marketers have generated brand loyalty by providing different options to different segments of consumers, so too must nonprofits consider reworking their benefits to provide options that can appeal to staff at different stages of life. A shrewd organization provides some kind of benefits menu, so staff can select or opt out of benefits that don't meet their needs. More employers are providing these alternative benefit arrangements (flexible spending accounts for medical and dependent care, cafeteria benefit plans, health savings accounts, etc.) that simultaneously offer more selections and help contain costs.

A DIRTY LITTLE SECRET

There is one rarely acknowledged downside to investing in staff: Not all positions have the same value to the organization, and some positions (and therefore the individuals who hold those positions) may not warrant the same degree of investment.

TDC has worked with a cultural organization where many people—drawn by the organization's unique mission—have stayed for more than a decade in what are essentially entry-level positions. Their knowledge and expertise have increased significantly over years, yet for personal or organizational reasons they have not moved upward. At a certain point, the organization ceased to award more than token salary increases, because the salaries received exceeded the value of the positions. The staff who remained anyway express understandable frustration and resentment. In this case, staff retention ends up as the problem, not the answer.

What's needed are frank discussions about what upward mobility options do— and don't—exist.

OTHER WAYS TO INVEST

What are additional ways to protect your investment in staff? Whether or not your nonprofit has the capacity to have dedicated human resource specialists on board, all organizations need to:

- Identify a human resources “champion” who will be charged with bringing up key issues (current and anticipated staffing needs, training and development, promoting a healthy organizational culture) whenever decision-makers engage in strategic and growth planning;
- Remain compliant with an ever-evolving legal environment through regular revisions of personnel policies and practices; and

- Create the expectation that all managers (middle and upper) will “own” the supervisory parts of their job, and provide formal/informal feedback, set meaningful goals, and help with professional growth and development.

There is no question: It is costly to provide this investment. Equally, there is no question: It is costlier not to. The good news is that many organizations have learned to invest wisely in their staff and are better positioned to face an ever-changing environment. If you need help, TDC can work with you to position your organization to invest in both mission and staff.



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