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The Retention Issue

The first thought that comes to mind when considering the title of our Fall 2013 edition of *Philanthropic Trends Quarterly* is "pun intended".

Not only does it describe the subject of this edition, it also very appropriately identifies retention and turnover as ongoing challenges faced by many non-profit organizations when it comes to their fundraising teams. While this is not a new issue, recent research is shining the spotlight on how retention continues to be a significant challenge and illustrates how this routine "changing of the guard" is an impediment to growth in our organizations.

It's important to note that this issue is not unique to the non-profit sector, a point that I don't think gets the acknowledgement it deserves. In the for profit sector, the VP Sales position, one that is similar to the scope of the chief development role, has an average tenure of between 24 and 32 months. And, a high level of turnover is not restricted to the sales department. The National Post recently reported that CEO turnover in the U.S. reached its highest level in more than three years. And in its 2009 study, ExecuNet, a leader in the field of executive search in North America, identified what it called a "retention deficit disorder" in C-suite positions. In its survey of 5,000 executives, search consultants and HR professionals, ExecuNet discovered that the average tenure of business executives was just 2.3 years, noting further that more than half of senior leaders were engaged in active job searches...with a staggering 94% of VPs indicating they would take a recruiter's phone call!



While it turns out that we're in good company, I'm sure we all agree that this revolving door is not healthy for our organizations. And so I think it behooves us to ask why this issue is so persistent. I worry that there may be a tendency to oversimplify and point fingers when looking to understand the issue and its causes. Junior level staff saying employers aren't providing enough support. Senior level staff saying their boards' expectations are too high and that they don't understand fundraising. Board members saying there isn't sufficient leadership skill and acumen in the fundraising talent pool. And therein lies the dilemma that we face – they're all right.

As with any challenge that involves multiple players, everyone contributes to the prob-

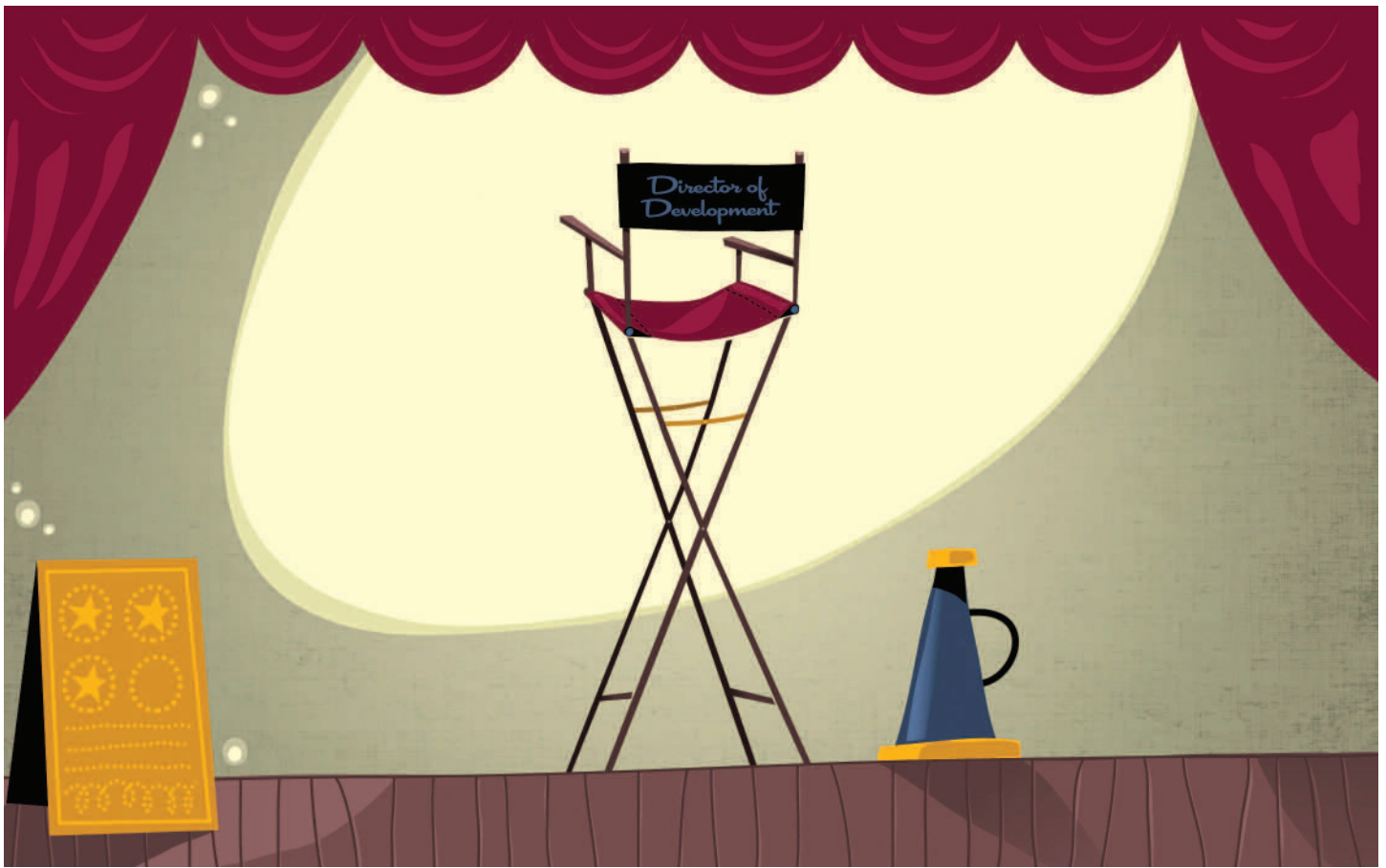
lem... and therefore, everyone has a role to play in finding the solution. So whether employer, employee or board member, we must all have the courage to confront how we may be perpetuating this issue in our own organizations; an activity that will be crucial to putting us on the path to making a lasting difference in the retention of fundraising team members.

Enjoy the fall season!

Marnie A. Spears
President and CEO

KCI >>>

FORWARD THINKING



Acquiring and retaining talent is one of the top issues keeping fundraising and organizational leadership awake at night. And it's easy to understand why.

The recent report *Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising* offers some of the latest proof that retaining fundraising talent is an ongoing problem. Undertaken by CompassPoint and funded by the Evelyn and Walter Haas, Jr. Fund, the project surveyed a group of American executive directors and development directors to better understand the factors impeding growth in their organizations. And according to their findings, high turnover of senior development staff is one of them.

Among the organizations surveyed, the development director position was vacant in a large number of organizations for

months, and in some cases years. Median vacancy reported was 6 months, with 46% reporting vacancies even longer than that. And among organizations with revenues of \$1 million or less, the median vacancy jumps to 1 year. Perhaps even more concerning is the large number of development directors who reported that they expect to leave their jobs, with half indicating their intention to leave their current position in two years or less.

When you consider the direct cost of turnover, the information is sobering. Based on analysis by the Conference Board of Canada in their annual publication *Compensation Planning Outlook* the average cost and time per hire is staggering – executive level positions can take 15 weeks with a cost \$43,000 while management and professional positions, 9 weeks and cost \$17,000.

Yves Savoie, President and CEO of the MS Society of Canada, notes that turnover and resignations of fundraising staff are costly in other ways as well. "It can take between six and twelve months for a new employee to get fully up to speed and productive in their role, so organizations need to factor this diminished level of productivity when evaluating the cost of turnover." And Savoie makes one other point related to the total "cost" of turnover to organizations when fundraising staff leave. "Fundraising is a relationship business, so more walks out the door than just the exiting employee when they leave," says Savoie, noting that connections with donors can be part of what the organization is losing.

According to Tara George, KCI's Senior Vice President and lead of our Search Practice, leading organizations in the

future will be the ones who “get it right.” “In an increasingly competitive fundraising marketplace, I believe that organizations, large or small, that have a focus on talent development and management will have the strategic advantage. As fundraisers, we work in a “relationship industry” where relationship building and strategic thinking are our flywheels and advantage comes from having the best people to do the best work. Those organizations that are investing in developing and retaining the best people will be the ones that will have a real competitive advantage.”

Institutional impatience

Before being able to “get it right,” it’s critical to first understand why we are continuing to find ourselves in the position we do related to churn in fundraising positions. Not surprisingly, the causes are numerous.

Tara George points to “institutional impatience,” or impatience for results, as one of the contributing factors, something she acknowledges is not isolated to the non-profit sector. “In some ways I suppose you could say, ‘welcome to the 21st century,’” says George. “For better or worse, we now live in a world that wants immediate gratification and response and where the time horizons for results are shorter than they used to be. I want to be clear that I’m not criticizing the expectation of results, but rather saying that the pressure on non-profits to raise more money in a shorter period of time can sometimes overlook that the organization’s relationships and readiness for what is expected just isn’t there yet. Unfortunately, I think these unrealistic expectations contribute to turnover, which then leads to a perpetuation of the lack of readiness because, of course, you need the fundraisers to build those relationships.”

“Those organizations that are investing in developing and retaining the best people will be the ones that will have a real competitive advantage.”

The impact of a philanthropic organizational culture combined with a respect of fundraising cannot be underestimated when it comes to both fundraising success as well as low levels of turnover. The *Underdeveloped* study found that high performing organizations were much more likely to say that a strong culture of philanthropy exists in their organizations. Sadly, only 13% of respondents overall indicated that they felt their organization possessed that type of culture. And so a culture, or lack thereof, that respects and values fundraising and philanthropy is an important factor in the issue of turnover.

Owen Charters, Chief Development Officer, MS Society of Canada, believes that while progress is being made, there continue to be too many examples of organizations that don’t understand fundraising and don’t see it as a leadership function. “I’ve observed that too many organizations continue to see development as code for fundraising – which in turn is code for ‘bank machine.’ The organization’s vision is built and then handed over to the development function to fund it. What these organizations don’t understand is the value that development can have in helping to shape that vision in a way that’s fundable. We understand the donor marketplace, we can ensure that the vision is shaped to fit within that realm of possibility, both of which significantly increase the chances of funding success.”

The necessity of the volunteer effort in non-profit organizations could also be an unwitting contributor to creating an environment that is inhospitable to fundraising. The rotational nature of board leadership can run the risk of creating an unstable environment that sees directions changing, personalities clashing and plans being aborted prematurely because of a lack of alignment with the vision of the new Board chair or executive leadership.

Richard Powers, National Academic Director, Directors Education Program and Governance Essentials Program at the University of Toronto’s Rotman School of Management, makes the point that the alignment of vision, strategy and expectations between the Board and senior management is key to any organization’s success. “It’s crucial for boards and senior managers to be on the same page, and so it is incumbent on the organization’s leadership, both board and staff, to ensure this is currently the case and will continue to be so when there are leadership transitions,” says Powers, who also instructs in the Institute of Corporate Directors’ Non-Profit Governance Program. “As a result, board succession planning must be intentional and not left to chance.”

Another way to achieve that alignment is to ensure that the board has a solid understanding of the “business” of the organization, including fundraising. “If you are guiding strategy, you need to understand the business you’re in,” says Powers. “In for-profit organizations, there is an expectation that board members must get to know and understand the business. The same should be true in the non-profit sector.”

Sandy Aird, former Senior Partner of Deloitte Consulting, agrees. A long-time senior-level volunteer in the GTA, Aird is past chairman of *(continued on page 5)*

Impact of culture

A key point made by the report *Underdeveloped* is the impact that an organizational culture of philanthropy has on the issue of turnover. It cites evidence from its survey that the lack of a favourable climate for fundraising is a key contributor to premature departures. This, in turn, disrupts the relationship building that is critical to individual donor cultivation and prevents organizations from developing and sustaining the conditions for development success. Which in turn makes it harder for an organization to recruit and retain its next development director... and so on...

Calling this a “vicious cycle,” the report clearly makes the point that there is a strong connection between culture (or lack thereof), retention of staff and ultimately fundraising success. And without being able to break that cycle, organizations risk never being able to find the traction they need to grow their fundraising operations.

So if culture can be a key to breaking the cycle, how do organizations go about creating a philanthropic organizational culture that is favourable and conducive to fundraising success? “Cultural change is notoriously difficult to achieve but there are certain elements that are instrumental to putting any organization on the right path,” says Dr. Jerry L. Gray, Dean Emeritus and Senior Scholar at the University of Manitoba’s Asper School of Business. “The role of leadership in cultural change is critical. Not only does organizational leadership need to be on board and a key driver, they also need to ‘walk the talk’. Otherwise, they lack the credibility to effect the change they are proposing.”

Gray notes another effective way to create cultural change is to include the culture you want right in employee job descriptions. “While putting an involvement in fundraising and philanthropy into the job description of organizational leaders is perhaps a blunt mechanism to effect change, it’s very effective. We also know that ‘what gets measured gets done’, so the addition-

al piece is to put in place performance measures related to their role in advancing philanthropy at the organization.”

Gray goes on to say that cultural change doesn’t happen overnight and that it is a process, not an event. But by initiating positive steps and interventions, you will reach a tipping point where “gravity” takes over and the culture you want to create starts to perpetuate itself and become self managing. And according to research cited in a July 2012 article in Harvard Business Review, *Cultural Change that Sticks*, the key to changing culture is rooted in behaviour – change behaviour, you change culture.



Here are some activities that organizations can undertake to put them on the path to building a culture that breeds fundraising success.

1. Connect culture to strategy. There’s a saying that “culture eats strategy for breakfast”, implying that no matter how great your strategy is, if it doesn’t match the culture, it won’t succeed. Combatting a tendency to think that changing an organization’s culture is a useless distraction, demonstrate to institutional leadership that a philanthropic organizational culture is not just a “nice to have”, but rather a core implementation imperative of your organization’s overall strategy.

2. Put it in your own words – Rather than putting forward a “textbook” definition of

a philanthropic organizational culture to the staff in your organization, have a group of (or even better all) employees think about what it means for them and the organization, putting the definition into their own words.

3. Put your words into action. Building on the concept of having everyone involved in defining the culture, also involve them in identifying the behaviours that will bring that culture to life. What will they start doing that they don’t do now? What will they stop doing?

4. Involve the Board and other volunteers. Don’t forget about your board and volunteers in this process. Invest time in educating board members and other volunteers about the impact of philanthropy on the organization and the ways they can personally help to maximize that impact.

5. Create the infrastructure to support. Create formal and informal means to support and perpetuate the culture. Formal interventions can include things like reporting structures, performance management and compensation. Informal mechanisms can include setting up cross functional project groups, storytelling and celebrating successes.

6. Talk about it. Encourage ongoing, open communications at the senior leadership level about philanthropy, fundraising priorities and set realistic expectations for achieving objectives.

7. Establish performance metrics. How will you know when you’re making progress towards building a culture of philanthropy? Or better yet, when you’re already there? To flesh out the change process, think about what metrics can be used to monitor and measure progress. Some ideas include the number of prospects referred by non-fundraising staff or number of cultivation calls in which non-fundraising staff participate. Identify milestones and celebrate successes when you achieve them.

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both the Board of Trustees of The Hospital for Sick Children and the Multiple Sclerosis Scientific Research Foundation. “When taking a volunteer leadership role in an organization, particularly one in which fundraising is the primary business like a hospital foundation, it is critical for board members to be educated about fundraising. And because board membership turns over on a regular basis, this education is something that organizations need to consider a regular and ongoing activity, not a one-time event.”

Educating board members and other volunteers about fundraising is a shared responsibility between the board and senior staff. While board members have to embrace that need and be willing to gain that knowledge, senior staff must ensure the activities necessary to achieve that goal are undertaken. At a minimum, all new (and perhaps returning) board members should be taken through a rigorous, deep dive into the means and methods by which funds are raised at the organization.

Everyone we spoke to also suggested that there is a need and an opportunity for the fundraising profession to work on both sides of career development – managerial and leadership qualities as well as

the technical side. Otherwise, as a sector, we run the risk of having a profession filled with technical specialists who won't have the necessary knowledge or skill to lead people when they get to leadership positions.

It's in our DNA

Compensation is often cited as a key contributor to turnover, suggesting that

changing jobs for better pay is a top reason that people leave for other positions. It is certainly true that in the fundraising profession where demand continues to outstrip supply, the opportunities for good fundraisers to change jobs for higher paying positions are plentiful. And while it is crucial to ensure that compensation packages are competitive and fair, it turns out that “more money” is not the sole or even (continued on page 7)



Building a people pipeline

Building on the idea that as fundraisers, we inherently know how to build and manage relationships with people, it's useful to think of some of our fundrais-

ing best practices through the lens of applying them to recruiting and retaining the talent in your organization. Here's how we can adapt fundraising

best practices and apply them to our people development, retention and hiring.

| Development Best Practice... | ...applied to Your People Pipeline |
|---|--|
| <p>The best future donor is a current donor.</p> <ul style="list-style-type: none"> It is less costly to retain a current donor than to spend time/money to seek a new donor | <p>The best future employee is a current employee.</p> <ul style="list-style-type: none"> Current employees are usually mission-aligned and 'fit' the culture The learning curve for a current employee may be shorter than for someone from outside Invest time and energy into 're-recruiting' your employees regularly Identify people who already work for your organization who might have the right aptitude and attitude to learn a new job Offer a secondment opportunity to an existing employee to allow them to try out a new role (And hold their old job for job security and peace of mind?) |
| <p>Donors want to know what difference their gifts have made.</p> <ul style="list-style-type: none"> Reporting back, thanking (without perceived wastefulness) and continuing to engage leads to a solid relationship and often a future gift | <p>Staff want to know how their efforts have contributed to success.</p> <ul style="list-style-type: none"> Everyone likes to feel valued and appreciated; positive feedback cycle to continued ongoing excellence People also need to know how their efforts will be evaluated, to be praised when they meet expectations and given direction when there is a need for improvement |
| <p>Successful organizations are donor centred.</p> <ul style="list-style-type: none"> We strive to understand donor motivations and interests and do our best to align these to the needs of the organization, leading to a win-win outcome | <p>Successful organizations are employee centred.</p> <ul style="list-style-type: none"> Take time to ask about and listen to each employee's needs, wants, and goals as they pertain to his or her career When filling positions, even temporarily, think about whether there is someone internally who would benefit from a secondment Supervisors should be encouraged to help employees towards longer term goals, even if sometimes that means pursuing an external opportunity for their own growth How are you working with the HR Department (if you have one) or consultant regarding career goals of those outside your department? |
| <p>Those interested in your cause are more likely to give to your institution and/or more likely to get involved.</p> <ul style="list-style-type: none"> Aligning donor interest to institutional mission and priorities is the basic premise of good prospect research | <p>People who are already interested or involved in your cause may make great employees.</p> <ul style="list-style-type: none"> Mine your database of donors using position title or employer Use LinkedIn for the same purpose Look online for people who "like" you or "support" you publicly Ask all of the above, plus your current staff, for their referrals and suggestions |
| <p>A lapsed donor is more likely to give than someone who has never given.</p> <ul style="list-style-type: none"> They likely already have interest in your institution Finding out why they are lapsed is the key | <p>Former employees can be interesting candidates for current positions.</p> <ul style="list-style-type: none"> Are there former employees who might be interested in becoming employees again? Finding out why they left is very much the key – important to understand this before approaching, where possible. Especially relates to high potential 'stars who got away', and who have subsequently progressed through their careers |
| <p>Respond to every volunteer.</p> <ul style="list-style-type: none"> If they put their hand up, get them engaged in a meaningful way | <p>Respond to all applicants for all positions.</p> <ul style="list-style-type: none"> Invite them to become volunteers, members, participants, donors Keep their information on file where appropriate and possible; the candidate may not be suitable for the job applied for right now, but may be right for a future position or for another job? |

primary reason most people leave organizations...nor is it the only thing that will encourage them to stay.

Research by McKinsey Consulting reveals that financial incentives do play an important role in retention, but more pay alone isn't sufficient. What they found instead is that intangibles like praise from one's supervisor, attention from senior management, promotions and opportunities to lead projects are often more effective than cash. In a 2009 *McKinsey Quarterly* survey, executives, managers, and employees rated these five nonfinancial incentives among the six most effective motivators when the main objective of the exercise was retention.

McKinsey research also found that one-size-fits-all retention packages are usually unsuccessful in persuading a diverse group of key employees to stay. Instead, organizations are told they are better off by taking an "employee-centred" approach, tailoring retention initiatives and packages to the mind-sets and motivations of specific employees.

Sound familiar? The reality is that as fundraisers, we inherently know how to do this. In our world, donor-centred, cultivation and stewardship are common words and actions in how we approach our donors. So it's a framework we're comfortable with. Turns out, it's also a useful means by which to define and analyze our talent management activities.

Notwithstanding the fact that there is real complexity to the factors that continue to make the issue of retention so challenging, with this philosophy as your backdrop, much of the best practice in retention and talent management is just common sense, as we discovered by speaking to a number of organizations that have a good track record of success.

...effective talent retention requires an openness and commitment to helping employees grow and develop as people as well as professionals...

One key to retention starts before you even hire – know what you want. Having a good, clear sense of the role you want the incumbent to play in the organization helps enormously with finding the person with the right skills and attributes to succeed and flourish in the position. Also, know what your organizational values are and look for people who share those values and demonstrate the behaviours associated with them. And if you have HR expertise in your organization or on your board, work with it to craft your job descriptions and get their advice on how to cast your net widely enough to attract a diverse group of candidates.

Paula Roberts, Plan Canada's Executive Vice President, Marketing & Develop-

ment believes that once a hire is made, orientation and onboarding are key. With a team of more than 80 people, Roberts is always on the lookout for talent that can grow with the organization and is committed to finding ways to make their tenure, especially if they are an asset to the organization, a long one. "My philosophy is that in organizations like ours, people come first and so leaders need to make building and managing their team one of their top priorities," says Roberts. "I also believe effective talent retention requires an openness and commitment to helping employees grow and develop as people as well as professionals, something that we strive to do through international and cross-functional training opportunities."

Additionally Roberts notes the importance of having a robust performance review process. "Everyone needs, and frankly deserves, to hear about the contribution they are making as well as what changes they should be making. For high performing talent, performance review is even more critical as this type of employee



demands a clear roadmap and sense of future path in order to stay engaged and connected.”

Mentorship is another very effective means of helping to integrate new employees into the organization. “We offer mentorship to our new staff as they join the team,” notes Chantal Thomas, Director of Development, Université de Montréal. “Not only has this turned out to be very effective at helping staff learn about our ways of doing things here at the University, it’s also mutually gratifying to everyone involved - the new employees find the experience enormously helpful and the mentors really enjoy taking on this valuable role.” In addition, the mentorship program has had an added benefit. It has enabled Thomas and her team to successfully bring on staff with little direct fundraising experience, something that is helpful given the number of people they recruit to the Development team and the tight marketplace for fundraisers.

The Fondation du CHUQ (Centre hospitalier de l’Université du Québec) has enjoyed great stability in its fundraising team over the years. And according to Denis Rhéaume, President and CEO, the creation of a work environment characterized by mutual respect and teamwork has been a key to their success. “We place a great deal of importance on cultivating a culture of listening and open dialogue at the Foundation, so that employees can feel safe when sharing their successes, their struggles, and their suggestions for



innovation and change,” says Rhéaume. “We also strive to do our utmost to set employees up for success by matching the work they do to the strengths they possess, while at the same time giving them a healthy dose of challenge so they can stretch and grow.”

While improving retention within the ranks of all positions on the fundraising team is vital, it is also important to acknowledge that some turnover is inevitable and even healthy. Because fundraising departments can be quite flat, staff in the junior ranks, even high performers, sometimes genuinely need to move out of the organization in order to grow and develop their

skillset. And change in the senior ranks can be healthy as well. Fresh ideas and new outlooks at this level can be a means to combat the group-think and stale patterns of decision making that often plague senior teams that have worked together for a long time.

When it comes to the issue of talent retention and management it is clear that the way forward cannot be the path that got us where we are today. “I think that for too long, we have undervalued and misunderstood human resource management,” states Tara George. “We need to start thinking about our employees as assets and about HR as a strategic function in our organizations. That doesn’t mean that everyone has to go out and hire an HR professional. What it does mean, though, is that everyone in a leadership role needs to learn and understand some fundamentals of organizational behaviour, human psychology and how to strategically leverage talent.”

Recognizing that for many organizations, the ability to invest in HR and leadership development is restricted due to limited budgets, she encourages the sector, as a whole, pull together to take a lead role. “While none of us are as big as a bank, as a sector, we’re bigger than a bank. And I’d love to see what we can do when we pool resources and think creatively about leveraging the assets and relationships we have, like our board members with expertise in this area, to help the sector grow and develop.” >>

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FORWARD THINKING