

Creating Conditions for Success in Not-for-Profit Organizations

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Twenty years ago, Peter Drucker predicted a “management boom” for not-for-profit (NPO) organizations. It promised more effective, mission-focused, accountable organizations.

More effective NPOs would have far-reaching impact. Consider what’s at stake:

- In the United States NPO sector alone, 13 million people generate \$500 billion in wages, drive 6% of the economy, and employ 10% of the workforce (larger than the construction, finance, insurance and real-estate sectors combined).
- Powered by \$300 billion in annual contributions, NPOs reported over \$1 trillion in assets in 2008.
- At 1.5 million organizations strong, they engage a volunteer force in the tens of millions. Every second American has or will serve as an NPO volunteer this year.

The fact is NPOs—charities, foundations, service organizations, trade associations, faith-based institutions—actively and positively shape the world we live in. The “profit” to our local and global community is impossible to calculate.

Yet two decades later, has any real progress been made towards Drucker’s vision? According to a [2010 Compass Point/Meyer Foundation survey](#) of 3,000 NPO leaders, there is room for doubt. Here is what they had to say:

- Only 20% of NPO executives are satisfied with the level of board performance and engagement.
- Two in three executives are expected to leave their post over the next five years.
- Only 17% of Executive Directors have succession plans in place.
- Capacity building is often de-prioritized in favor of simple survival.
- Ineffective resource management, due to ineffective accountability, threatens programmatic work.

Why the disappointing results?

We know from our client work with NPO leaders, that at the root lies a common culprit: *a broken system of roles*. Here is the definition of a system-of-roles from the [Growth River Glossary](#):

A system-of-roles is how authority, perspectives, accountabilities, and responsibilities are divided within a group. In a complete system-of-roles:

- Every key perspective and issue has an advocate and owner.
- Conflicts of interest are managed.
- There is an effective decision-making hierarchy.
- Creative tension is a source of innovation.

In other words, a complete system-of-roles is in play when *the right leaders with the right mindsets, in the right roles, with the right accountabilities, are working interdependently to make growth and evolution inevitable.*

Often a broken system of roles begins in the boardroom, where directors fail to embrace their individual and collective role, and then fail to hold their CEOs effectively accountable. The effects ripple through the organization.

Why should such a pervasive issue go unresolved? Because the system-of-role discussion is the hardest discussion to take on in any organization: it's the place where individual's personal ambitions and interests clash with organizational needs and priorities. And this is especially true in NPOs where board members and top leaders often measure team progress in terms of speed to consensus rather than speed to alignment. In other words, maintaining social harmony is a more important value than organizational effectiveness.

If a complete system-of-roles is in place and leaders are ultimately supported and held accountable by an engaged board that is not conflict averse, executing strategy and solving workflow issues becomes possible.

In our work with NPOs, we concentrate on creating the conditions that make success inevitable, including establishment of an effective and complete system-of-roles. [Watch this video](#) in which Growth River clients describe their experience creating these conditions, utilizing a process called Strategic Alignment.