

# INVESTING IN LEADERSHIP

FIVE QUESTIONS TO ASK ANY  
ORGANIZATION BEFORE YOU GIVE



ROCKEFELLER PHILANTHROPY ADVISORS  
PHILANTHROPY ROADMAP

Some of the most important information a donor can gather before investing in an organization has to do with people, not spreadsheets. The people who work, volunteer and care about a nonprofit organization often provide a clear reflection of how the organization operates.

It would be inefficient—not to mention very costly—to try to interview a wide cross section of stakeholders. That's why examining the leadership of an organization can be so helpful to donors. It's a way for thoughtful philanthropists to get a window into the strengths and weaknesses of the entire organization, to understand its operational culture.

Leadership is one of a number of factors that determine the effectiveness of a nonprofit organization's work. Visionary leaders possess the ability to assess the way things are and then

inspire us to help create new solutions. In this sense, leadership does more than set policies and define goals; it creates a paradigm for a better world.

When venture capitalists research potential startups, they first evaluate the entrepreneurs who guide them. So, too, can effective donors evaluate leadership in potential grantees. Strong leadership—or the lack of it—can be a decisive factor in making funding choices.

This brief guide, part of the Philanthropy Roadmap series, is designed for both emerging and established philanthropists. It sets out five key questions that donors can ask to evaluate leadership.

1

What is the leader's vision?

2

How does the leader make and communicate decisions?

3

Is the leader a good team-builder?

4

How does the leader handle conflict?

5

Does the leader balance passion with strategy?

#### **FINDING THE RIGHT FIT**

It takes different leadership skills to guide organizations at different stages:

A startup might need a leader with a grand and compelling vision. A growing organization might need someone who is good at building systems and teams under steady financial management. A mature organization might need a stabilizing leader who can make use of established systems in more sophisticated ways; for example, someone who is an expert in board relations.

# 1

## WHAT IS THE LEADER'S VISION?

Most philanthropy seeks to create social change. A nonprofit leader's vision is like a blueprint for that change. It's far more than a dream. It details not only what the organization seeks to accomplish, but also what role it will take in its field and in the communities where it operates.

It's not uncommon for strong leaders to rely on powerful communication skills to inspire their colleagues and other stakeholders, painting a compelling picture of how the organization's work will create a better world. But that inspiration becomes much more powerful when it is also strategic and practical. Donors may want to ask a leader about what forces influence the organization's work—for the good and the ill—to get a sense of how the leader's vision will play out in the real world. Donors may also want to assess if a leader's vision reflects an understanding of evolving opportunities and challenges.

Many donors also find it useful to ask about an organization's financial and fundraising vision. There are few things as important to the sustainability of a nonprofit as its ability to fundraise. So the leader's vision of how to achieve fundraising goals—including issues such as the fundraising role of the board and the importance of growing the endowment—can reflect not only an organization's ambition, but its ability to survive and grow.

### A MOMENT OF OBLIGATION AND VISION

#### MAYA AJMERA & THE GLOBAL FUND FOR CHILDREN

Maya Ajmera calls it her “moment of obligation,” but it was also a moment of pioneering leadership.

In India on a Rotary International graduate fellowship, she noticed a group of 40 children being taught how to read and write by a teacher on a train platform. She talked to the teacher and found out it cost only \$400 per year to support 50 children and two teachers. The resourceful approach to learning brought the school to the children because the children could not get to the school. At that moment, insight came to Ms. Ajmera in the form of a question: How do I get small amounts of capital directly into the hands of the most worthy community-based groups making an impact in the lives of children around the world? The year was 1990. She was 22 years old.

Three years later, her vision became the Global Fund for Children with support from Echoing Green, a foundation that supports budding social entrepreneurs. (See the Echoing Green case history later in this guide.) The strategy of the Global Fund for

Children was to make small grants to innovative community-based organizations working with vulnerable children. The first grants went out in 1997—a total of only \$3,000. By 2011, the fund had made a total of \$21 million in grants to more than 500 community-based organizations in 78 countries.

In addition to its grants program, the Global Fund for Children also publishes books (more than 30—all designed to promote global understanding in children) and has helped fund a number of documentaries.

For Ms. Ajmera, born and raised in North Carolina, the daughter of immigrants from India, the remarkable success of her project is all about leadership. She had this to say to an interviewer from *Philanthropy News Digest*:

“When I applied for an Echoing Green fellowship in the ‘90s, it all started with a four-page application and your mission statement. Basically, the folks at Echoing Green had two questions: ‘What do you want to do? And how do you want to do it?’ Eventually, they invited me to an interview with four venture capitalists ... I’ll never forget

one of them saying to me, “So are you telling me that what you want to do is to invest in small literacy organizations around the world and start a children’s book-publishing venture and redefine what literacy means in the twenty-first century? And I said, ‘Yeah.’”

“I walked out of there thinking, ‘Well, that’s that.’ But a day later they called me and said, ‘You got the money—\$100,000 over four years, \$25,000 a year.’ I think they must have thought I was hallucinogenically optimistic. But you know something, you make bets on people, and they made a bet on me. And that’s what the Global Fund for Children does. We make bets on leaders.”

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## HOW DOES THE LEADER MAKE AND COMMUNICATE DECISIONS?

Decision-making can reveal a lot about the level of trust a leader has with his or her team.

How well can the leader explain her method of making decisions? Can she tell you who influences—and who participates in—key decisions? Is it clear to colleagues when a leader is looking for advice, for consensus or just for information?

Leaders in nonprofits often want to build collegiality and so err by being too diplomatic. They spare feelings, but lose clarity in direction. Or, if the leader has a strong desire to be liked, miscommunication can result as the leader tip-toes around perceived sensitive subjects.

Honesty and plain speaking can be of great advantage here. Some decisions may be the leader’s alone. Others can be arrived at through group deliberation or delegated to individuals. But good leaders make clear what process will be followed. Experts say this kind of clear and consistent approach to communicating about decision-making leads to trust. And this trust has multiple benefits: it supports not only the values of the leader and the organization but allows greater effectiveness in advancing the work.

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BET THE JOCKEY, NOT THE HORSE

STUART DAVIDSON AND THE WOODCOCK FAMILY FOUNDATION

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Leadership is more than an abstract quality to Stuart Davidson. It's a reason to invest. And Mr. Davidson does a lot of investing—both for profit and for the common good.

His “day job,” as he calls it, sees him working as a managing partner of Labrador Ventures (their portfolio includes the personalized internet radio service Pandora and the leading live interactive broadcast platform Ustream). His other calling is as a remarkably creative venture philanthropist, giving his time, money and talents to promising nonprofits and social enterprises. For Mr. Davidson, a trustee of the Woodcock Family Foundation, “leadership is so important it trumps all other attributes” when it comes to potential impact on an organization. In fact, Mr. Davidson points out that Woodcock’s philanthropic strategy—they support social enterprises seeking systemic change—often turns on finding “unusually able and innovative individuals.”

Acumen Fund is one example of the strategy in action. Acumen combines traditional philanthropic motives with

market-based strategies, investing in early-stage enterprises serving low-income populations around the world. It invests in areas like health care and alternative energy—expecting both a social and a financial return. Any “profit” is put into a new investment. In ten years, Acumen has grown from a startup to a funder with more than 50 ongoing projects—each serving a market of one million or more people. Mr. Davidson and Woodcock have supported Acumen from the beginning—he’s a current board member—and he says the organization took off because of its founder and leader.

“Acumen needed someone who understood the issues of the developing world, who was ready to take a leap, who felt like her purpose in life was to achieve these goals and had the skills. We found all those ingredients in Jacqueline Novogratz.” Ms. Novogratz’s success has not been limited to Acumen. She was named to *Foreign Policy*’s list of Top 100 Global Thinkers and *The Daily Beast*’s 25 Smartest People of the Decade. She serves on the Aspen Institute board and on the Stanford Graduate School of Business advisory board.

So what makes a good leader? Mr. Davidson says communication, management skills and the ability to deal with conflict are all important. But commitment and motivation stand out.

“Some people come to Labrador Ventures and just show me how much money they will make for us,” he says. “I often don’t take a second meeting.” If their main motivation is making money, he reasons, then they will go do something else “when they hit the first bump in the road.” He believes a good leader is totally committed to a project and won’t rest until he or she gets the job done.

He also has some advice for his fellow philanthropists as they evaluate their gifts and impact investments. “Bet the jockey, not the horse,” he says. “That’s another way of saying the person is more important than the concept of social change.” His experience—both as a venture capitalist and a venture philanthropist—has taught him that it’s easier to change the mission of an organization than to change its culture and leadership. “If the leadership is right,” he says, “they will figure out what to do. Go with leadership.”

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# 3

## IS THE LEADER A GOOD TEAM-BUILDER?

Organizations undergo changes that require staff to show unity and agility. Naturally, team building gets significant lip service. But what does it mean?

Clarity of vision defines an organization's purpose. But a strong team is also built on resilient relationships operating within a strong group identity. Good leaders rely on an understanding of the needs and perspectives of staff and the populations they serve. They balance that empathy with honesty.

Beyond these fundamentals, there are two questions many leaders must confront as they seek to build a motivated team.

### WHO ARE WE?

### HOW WILL WE WORK TOGETHER TO ACHIEVE OUR GOALS?

These are very practical questions. The identity of the nonprofit must first be defined before it can be accepted by stakeholders and guide the work being done. This identity reminds staff and donors that the organization's work is part of something bigger than any individual. The answer to the second question shows how an organization's structure and strategy interact in practical terms and reminds people that their individual contribution is essential to the success of the whole endeavor.

### PERSONAL ACCOUNTABILITY

### GEOFFREY CANADA & THE HARLEM CHILDREN'S ZONE

Geoffrey Canada has become one of the most prominent education reformers in the United States. In 2011, he was named one of *Time Magazine's* 100 most influential people in the world for his work with the nonprofit Harlem Children's Zone. U.S. Secretary of Education Arne Duncan wrote this about him:

"Geoffrey Canada is an extraordinary innovator and one of my heroes. He has shown time and again that education is the surest path out of poverty. The Harlem Children's Zone Project, which he founded, provides a cradle-to-career continuum of high-quality neighborhood schools and support services for disadvantaged children. It's based on the simple idea that you cannot divorce where kids live from where they learn — and it's the template for President Obama's Promise Neighborhoods program."

Over more than 20 years, Mr. Canada has built a team to serve 8,000 children in a 100 block area of Harlem in New York City. His leadership begins with a very personal commitment to the work and his team. In his words, "We believe leadership has to go out

and demonstrate." He tells the story of being interviewed by Anderson Cooper, who was then a reporter with *60 Minutes*, when his staff got some calls about gunfire in one of the housing developments in his zone. So he stopped the interview and went to the housing development. "We call it waving the flag," he said. "You go out, and you let the community know that ... the bad guys are not going to make my community unlivable for children. My staff are working in these places every day, and when things get bad, when bullets start to fly, people need to know that me and George and some of the other [leaders of the organization] are going to go out and be there with them."

Two other key concepts for Mr. Canada are vision and community. When he began his work in Harlem, he confronted an unsafe community where many children faced the prospect of an adulthood of unemployment and/or incarceration. But instead of focusing on the barriers to success, he asked, "What would it look like to win?" This outcome-based strategy led to the organization's holistic approach to caring for children — looking at all contributing factors, including

nutrition, parenting and community resources as well as education. He decided the children couldn't be served without rebuilding the community and the community couldn't be rebuilt without building leadership in residents by giving them leadership skills.

But the defining quality of Geoffrey Canada's leadership is personal accountability. "In the end, someone has to be held accountable," he says, "and there has to be a clear set of goals that you are holding the organization accountable to ... When we started our school [the extended-hour public charter schools called Promise Academies] ... I said I got five years and if I don't educate those kids in five years, I'm going to fire myself. I told the mayor. I told the chancellor. I told my board. I told the principal. I told the teachers. I'm going to fire myself. But I'm going to be the last one to leave ... Everybody else is going before me. My staff, they heard that ... We all will be accountable ... If these kids fail, we lose our jobs. [It's a] totally different attitude about success. This becomes personal now."

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## HOW DOES THE LEADER HANDLE CONFLICT?

Nonprofit leaders sometimes struggle to answer this question and to give a particular instance of how they dealt with a conflict. They can feel vulnerable. Conflict, by definition, is a problem. Leaders usually prefer to focus on their achievements. However, anyone with experience in the field will tell you that conflict is as common in charitable organizations as it is in any other sphere of human endeavor. So dealing with conflict productively is very important.

Good leaders benefit from qualities like wisdom and patience in dealing with conflict. And all leaders must rely on the trust they have built with staff and others involved. But experienced leaders also usually have an idea of what process they will go through and some organizations have formal strategies for dealing with these problems.

A conflict can have its roots in creative tension or personal misunderstanding or even perceived mistreatment. The potential causes are many. But leadership is demonstrated by how the organization responds to these challenges. Do managers ignore it and hope it will go away or do they address it? Is there confidence in organizational values and systems to help clear up the problem or do people lack faith in the system?

It pays the donor to approach this subject with tact, but it should not be ignored. How an organization deals with difficulties often says a great deal about its core values and potential.

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**FROM ROBIN HOOD TO HARVARD**

**GLENN DUBIN**

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**G**lenn Dubin is a billionaire hedge fund entrepreneur (Highbridge Capital). He is also one of the founding board members of the high-profile Robin Hood Foundation, which fights poverty in New York City.

In 2010, he gave \$5 million to create the Dubin Graduate Fellowships for Emerging Leaders at Harvard's Center for Public Leadership. He sees the direct investment in leadership training as an extension of ideas "which have guided my professional and philanthropic life."

"My hope for this program," he told the *Harvard Gazette*, "is to identify extraordinarily talented and passionate individuals who have been able to overcome challenges in life, and provide them with a unique experience that will ultimately allow them to make a lasting impact on communities around the world."

Once at Harvard, the fellows will encounter what the Center for Public Leadership calls "the seven essential competencies" for leaders:

**CATALYTIC**

Identifying, analyzing and judging complex collective challenges and opportunities; mobilizing others, and keeping them focused on solving such challenges. What are the key challenges facing this group now, and how can I mobilize the group to address them?

**CONTEXT**

Knowing the historical, intellectual, cultural, institutional and policy context in which one operates. Where am I?

**INTERPERSONAL**

Modulating one's behavior in order to interact effectively in a variety of settings. How do I need to interact with others in order to help this group function effectively?

**LEADERSHIP THEORY**

Understanding the fundamental leadership concepts, constructs and research findings. What have the great thinkers and theorists, past and present, said about leadership?

**ORGANIZATIONAL**

Planning, organizing, coordinating, and executing collective action. What is the best way of organizing this work and the people doing it?

**PERSONAL**

Being self-aware, that is, able to reflect on one's own thinking, feeling, and behavior; knowing one's strengths and weaknesses, predilections, dominant tendencies and values. Who am I?

**SOCIAL SYSTEMS**

Reading and analyzing dynamic social and political systems. What is collectively happening here?

The idea is that leadership often relies on a mixture of management and interpersonal skills as well as strategic and analytical ability. In fact, Harvard's Center for Public Leadership believes it is the interplay of these qualities that makes a good leader.

Glenn Dubin is betting that this thorough approach will give emerging leaders a head start on pursuing transformative change in the world.

"...identify extraordinarily talented and passionate individuals who have been able to overcome challenges in life, and... allow them to make a lasting impact on communities around the world."

## DOES THE LEADER BALANCE PASSION WITH STRATEGY?

Most nonprofit leaders have passion for their work. If they don't, donors might well ask why. It could be that the organization has been operating for many years—with a leader so experienced and an operation so well-established that commitment has refined into a kind of calm competency. On the other hand, that competency may have slipped into complacency based on a lack of engagement. In any case, it's worth checking on.

For most organizations, though, passion is quite common. Here, donors might consider asking how the passion is being translated into specific plans.

Many of the best disaster relief organizations demonstrate complete passion and commitment to the cause of saving lives and alleviating suffering. But they must do more than have conviction about their cause. They must prepare. They don't know where the next tsunami, earthquake, fire or man-caused crisis will occur. Still, they stockpile supplies at strategic points, they create relationships with partner organizations worldwide, they devise contingency plans that can be adapted quickly, and they hire staff and advisors with the experience to guide their response to disaster.

Shakespeare wrote, "The readiness is all." Where leaders combine passion with practical planning, philanthropists may well find effective organizations to support.

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### INVESTING IN LEADERS AS AGENTS OF SOCIAL CHANGE

#### ECHOING GREEN

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**E**choing Green values leadership so much its philanthropy is completely centered on identifying, funding and supporting leaders and their ideas for social change.

Formed in 1987 by a group of successful private equity investors at General Atlantic, Echoing Green has adopted a risk-taking approach to philanthropy. It funds two-year fellowships for young leaders because it believes new, untested ideas pushed by committed leaders have the potential to create transformative social change. Social entrepreneurs who have received their support include Wendy Kopp of Teach For America, Karen Tse of International Bridges to Justice, and Maya Ajmera of The Global Fund for Children (see case history in this guide).

Cheryl Dorsey, President of Echoing Green, says the biggest issue for her organization is whether or not a leader can execute his or her idea. "We give money to innovative, passionate

young people who want to change the world ... to see if their ideas are going to gain traction and [to] see if they can really push change in the fields that they care most about."

With 24 years of experience in finding and encouraging leaders, the organization asked itself this question: What are the qualities and characteristics of our group of social entrepreneurs that make them particularly effective as social change agents? Many of the fellows shared similar traits. Echoing Green put these traits together in something they call "SEQ" (Social Entrepreneurship Intelligence). Here are some of the key qualities, according to Ms. Dorsey:

Leaders exhibit an outcomes orientation. "They are committed to being held accountable to impact."

Leaders demonstrate an ability to navigate complexity and uncertainty while still driving results.

Leaders are solution-oriented.  
“They are deeply engaged in the process of understanding and addressing the root cause of a social problem.”

Leaders use “asset-based thinking.”  
This is a way of approaching the world that relentlessly seeks to maximize the strengths, talents and opportunities present.

Leaders are resource magnets.  
“They not only draw money to the causes they care about, but they also garner human capital—volunteers, champions, supporters and media attention—all the things that are required to execute on an idea.”

Leaders have a deep and unshakable obligation to a cause.

And if you find it surprising that venture capitalists might be so willing to invest in nonprofit leaders, you might be interested to find out that General Atlantic, the founder of Echoing Green, was itself created in 1980 by entrepreneur and philanthropist Chuck Feeney as a way to invest the capital of his huge foundation, Atlantic Philanthropies.

“The only two things you need to build in a team, and you must build all the time, are identification—a sense we are a team—... and interdependence—that we need each other to succeed.”

PROFESSOR CLIFFORD NASS, STANFORD UNIVERSITY

# MOVING FORWARD

A leader is an example, a catalyst, a motivator, a manager and a decision-maker. But above all, a leader is accountable for results—to colleagues, to clients, to communities and, of course, to donors.

A good leader also knows how to track results. She knows the answer to the question: how do we define success? And she can report to donors truthfully on how the organization is doing in relation to its goals.

Accountability is not something dry, to be determined only by consulting a ledger sheet. Donors can see it in the faces of motivated employees and feel it in the atmosphere of a positive, focused office.

Accountability can also be seen in how an organization reacts to changing circumstances—whether it be a programmatic opportunity or an operational difficulty. A leader who has established trust with staff and other stakeholders has usually also built loyalty. And loyalty emerges at crucial times when people step forward to show they are accountable not only to the leader but to the cause the leader espouses.

In this sense, leadership reveals not just what a leader does, but how a charitable enterprise functions.

## ROCKEFELLER PHILANTHROPY ADVISORS

is a nonprofit organization that currently advises on and manages more than \$200 million in annual giving. Headquartered in New York City, with offices in Chicago, Los Angeles and San Francisco, it traces its antecedents to John D. Rockefeller Sr., who in 1891 began to professionally manage his philanthropy “as if it were a business.” With thoughtful and effective philanthropy as its one and only mission, Rockefeller Philanthropy Advisors has grown into one of the world’s largest philanthropic service organizations, having overseen more than \$3 billion to date in grantmaking across the globe.

Rockefeller Philanthropy Advisors provides research and counsel on charitable giving, develops philanthropic programs and offers complete program, administrative and management services for foundations and trusts. It also operates a Charitable Giving Fund, through which clients can make gifts outside the United States, participate in funding consortia and operate nonprofit initiatives.

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