

SCHWAB FOUNDATION FOR
SOCIAL ENTREPRENEURSHIP



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OF THE WORLD

Leadership in Social Enterprise

How to Manage Yourself and the Team

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The Schwab Foundation for Social Entrepreneurship provides unparalleled platforms at the regional and global level to highlight and advance leading models of sustainable social innovation. It identifies a select community of social entrepreneurs and engages it in shaping global, regional and industry agendas that improve the state of the world in close collaboration with the other stakeholders of the World Economic Forum.

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Foreword



David Aikman, Managing Director, World Economic Forum; Head, Schwab Foundation for Social Entrepreneurship



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For social entrepreneurs building and growing their companies, the understanding and practice of leadership are critical for their organization’s long-term success. They also must overcome myriad challenges, including the constant balancing act to protect the social mission while striving for growth and commercial success, the combination of volunteers and paid staff within the same organization, and the high expectations from a wide variety of stakeholders regarding their integrity, accountability and openness for stakeholder participation.

Based on in-depth interviews and case studies, as well as a global survey conducted by the Schwab Foundation for Social Entrepreneurship, the Leadership in Social Enterprise manual serves aims to support the founders and chief executive officers of social enterprises by providing advice that is tailored to the realities of mission-driven organizations at various stages of their development.

We would like to thank the members of the Schwab Foundation Social Entrepreneurs’ Task Force for their contributions to this collaborative effort: Andreas Heinecke, Founder and Chief Executive Officer, Dialogue Social Enterprise, Germany; Reed Paget, Founder and Managing Director, One Earth Innovation, United Kingdom; Bart Weetjens, Director, APOPO, Belgium; Sarah Mavrincac, Founder, aidha, United Arab Emirates; and Timothy Ma Kam Wah, Member, Committee to the Board, Senior Citizen Home Safety Association, Hong Kong SAR.

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We hope this manual on leadership in social enterprises provides a practical tool “from social entrepreneurs for social entrepreneurs” to better cope with key leadership challenges and that it facilitates a fruitful exchange within the social enterprise community. However, it is only as useful as you find it. Please send us your feedback to incorporate into subsequent versions.

1. Leadership in Social Enterprises

There are thousands of books about leadership, and it is easy to get lost in the jungle of articles on the internet. The top 10 leadership qualities according to Forbes – honesty, the ability to delegate, communication, sense of humour, confidence, commitment, positive attitude, creativity, intuition and ability to inspire – are easy to understand and represent the main capabilities a leader should have (Prive, 2012). Other key values are expressed in the “4 E’s of leadership” – envision, energize, enable and empower – and plenty of examples of great leaders can be found to fulfil these criteria (Yates, 2004). However, leadership is about both character and competence, and the crucial question remains what leaders need to cope with, given constant changes, crashes and crises.

Specifically, leaders of social enterprises face manifold challenges: many leaders do not have a formal business education and were driven by the passion to solve a social cause. Their intrinsic motivation comes first and economic reasons rank low. But business procedures need to be implemented, teams built and money earned to run a social enterprise successfully. To support them, this manual sets out to answer the following question: What are the key challenges for social entrepreneurs when it comes to leadership?

Based on numerous in-depth interviews and a global survey of Schwab Social Entrepreneurs, four main challenges have been identified.

1. Building a management team
2. Delegation and succession
3. Balancing and integrating
4. Personal and professional development

These challenges are the backbone of this manual and gave the task force the needed guidance. Throughout this manual, they are illustrated with quotes and case examples from interviewed Schwab Social Entrepreneurs, which are displayed anonymously to encourage candid responses.

1.1. Outline of the Manual

Together with an overview of the typical characteristics of Schwab Foundation social entrepreneurs and their social enterprises, chapter 1 of this manual reports on how their followers perceive their leadership styles in terms of ethical,

transformational and empowering leadership, and how this leadership style results in high job satisfaction and motivates followers to commit themselves to the social enterprise. However, results also suggest that there is an important leadership behaviour that is underdeveloped in many social entrepreneurs, which is a managerial style of leadership. This perception is confirmed by the leaders themselves, who reported that their leadership challenges mainly relate to managerial issues such as the four leadership challenges listed above. After explaining the key leadership challenges in detail in chapter 2, the manual provides practical tools and advice in chapter 3 for both nascent and more experienced social entrepreneurs on how to successfully cope with these leadership challenges.

1.2. Leadership Styles of Social Entrepreneurs – A Follower’s Perspective

Social entrepreneurs differ greatly in their demographic characteristics such as age, gender or education. Nonetheless, some frequent characteristics have emerged: According to the study, the “typical” Schwab Social Entrepreneur is between 42 and 65 years of age (76.2%), the founder (88.9%) and chief executive officer (53.3%) of the organization, and has a master’s degree (38.9%). As the Schwab Foundation selects awardees based on high prior impact, their typical social enterprises are rather mature: Most of them were founded 10 to 19 years ago (42.9%) and employed between 26 and 100 people (50%) in 2012. See chapter 4 for details on all survey results.

However, social entrepreneurs seem to be rather similar in their leadership style. The study found that, according to their direct followers, i.e. key team members, Schwab social entrepreneurs across the board scored very high in ethical leadership, transformational leadership and empowering leadership, with means ranging from 5.15 to 6 out of a maximum of 7 points in the survey.

Ethical leadership is characterized by trustworthy leaders, who serve as ethical role models and enforce clear standards for ethical behaviour among followers, and also conduct their personal life in an ethical manner. Ethical leaders also have the best interest of employees in mind and listen to what they have to say. Transformational leaders inspire followers with their vision and stimulate them to challenge themselves and their way of thinking,

while uniting them around a common vision and core values. Empowering leadership includes aspects such as encouraging independent action, self-development of the employee and mutually agreed performance goals, and is key to unleashing their followers' potential, engagement and creativity.

In contrast, the often less desirable autocratic leadership was least represented, with only 2.8 out of 7 points, on average. Autocratic leaders are often described as tough-minded and dominant leaders who assume full responsibility for decision-making and policy, communicate in a commanding way and almost force opinions and values onto others. The middle ground (4.4-5.5 out of 7) was taken by the different aspects of transactional leadership behaviour, which links employee performance to predictable financial rewards and positive or negative feedback by the leader.

As the results seem to apply globally as well as across demographic characteristics, they demonstrate that most social entrepreneurs naturally practice the leadership styles that are thought to be most effective. The effectiveness of social entrepreneurs' leadership style is reflected in two aspects.

On the one hand, it is reflected in their employees' intrinsic motivation, job satisfaction, commitment to the organization, and their intention to stay with the organization, which were consistently rated as very high by the team members, with means ranging from 5.6 to 6.5 out of 7 points. Analysing how the leadership styles of social entrepreneurs affected these attitudes of their followers, the results confirmed that ethical, empowering and transformational leadership actually does increase the followers' job satisfaction, commitment and intention to stay. Also, followers show higher levels of intrinsic motivation when these leadership styles are stronger.

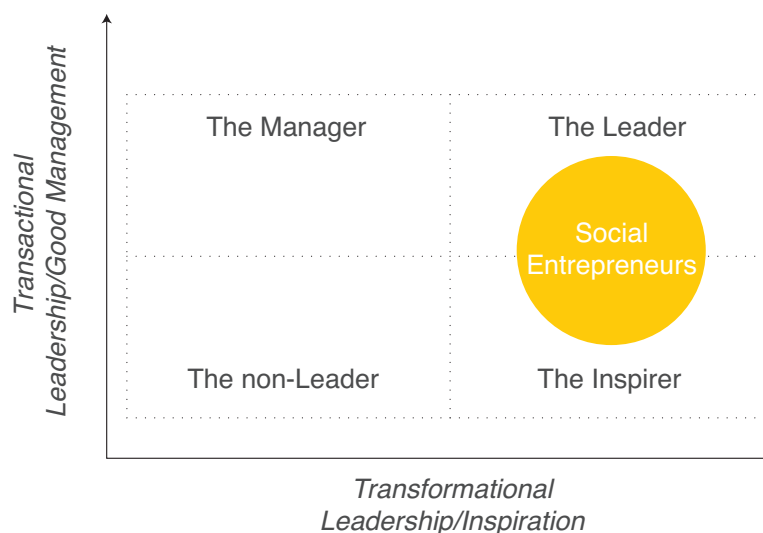
On the other hand, a clear relationship can be seen between the leadership styles of entrepreneurs and their team members' perception of the leader's effectiveness. The effectiveness of the entrepreneur is rated significantly higher by team members when they show a more ethical, transformational and empowering leadership, and effectiveness is perceived as lower if they show more autocratic leadership behaviour.

The results also suggest that there is an important leadership behaviour that is underdeveloped in many social entrepreneurs, which is transactional leadership. Transactional leadership – often associated with the more managerial side of running the organization – is important to provide followers with guidance and to manage the organization in an effective way. Management guru Peter Drucker is not the only one who emphasizes the need to go from the personal leadership of the founder to management-run systems and processes at a certain stage of growth.

Similarly, the results suggest that transactional leadership has a positive association with the intention to stay with the organization, the commitment to the organization and the satisfaction with their own competence and the people they work with. Also, giving positive feedback as part of transactional leadership was related to a higher perception of effectiveness of the social entrepreneurs in the study. However, as illustrated in Figure 1, Schwab Social Entrepreneurs clearly lean towards the transformational side of the spectrum.

Figure 1: Social Entrepreneurs' Tendency towards Inspirational Leadership

Source: Illustration by Schöning (2008) based on Sashkin/Rosenbach/Tenbergen (2008)



“

Most entrepreneurs tend to be transformational leaders, providing vision and inspiration. If they team up with a strong manager, they form a powerful leadership team. What often separates a social entrepreneur that has been able to scale and grow from one that has not, is the ability to recognize the weakness on the transactional side and leave it to those that are better at it.

”

Schöning, 2008

In summary, it seems helpful to draw a distinction between management and leadership characteristics and tasks (see figure 2) – even though they cannot be clearly separated and every manager also has a leadership role, just as every leader also performs management functions. Maccoby (2000) makes the following distinction: “Management is a function that must be exercised in any business, leadership is a relationship between leader and led that can energize an organization.”

While social entrepreneurs are champions when it comes to vision and inspiration, the majority of leadership challenges that were identified in the survey – as presented in the next chapter of this manual – are related to the managerial aspects of leading a social enterprise.

“

Often, we are so close and personal with our projects that we forget about the role of others and the need to clarify and communicate what we want to do. It is not enough to know that just for myself. And I do need a clearly defined role within the organization. So this is where I see a need for advice and consultation.

”

Schwab Social Entrepreneur



Figure 2: Distinction between Management and Leadership Tasks

Source: Illustration based on Maccoby, 2000, adapted



2. Key Leadership Challenges for Social Entrepreneurs



In addition to the myriad challenges of running a business, social enterprises also face a shortage of funding, a shortage of experienced “social managers” and adding to your impossible load, the need to deliver not only a financial return, but substantial social and environmental benefits to your community.



Schwab Social Entrepreneur

“What are the key leadership challenges for you?” In a global survey, Schwab Social Entrepreneurs were asked to share their main challenges. The statements were developed based on interviews with social entrepreneurs as well as experts, and literature. Analysing the responses, four key leadership challenges emerged in the following order:

1. Building a management team
2. Delegation and succession
3. Balancing and integrating
4. Personal and professional development

Each challenge comprises several elements. This chapter describes each key leadership challenge and its elements in detail, and illustrates them with selected quotes and examples that were shared by Schwab social entrepreneurs.

2.1. Key Challenge 1: Building a Management Team

The top key challenge, building a management team, mainly consists of three elements: external recruiting, internal leadership development and retention.

Many social enterprises in the survey have been growing strongly in the past (47%) and are still growing fast (30%). Leading a growing and maturing social venture, every founder will need strong support at a certain stage – be it due to missing managerial knowledge and experience to focus more on the mission instead of administrative tasks, or just due to the sheer size and complexity of the scaling organization.



Looking at my fellow social entrepreneurs, they all have this problem of building a second layer as well. And how do we strengthen this second layer, if it is always about us...?



Schwab Social Entrepreneur

Asked about their experiences, interviewed social entrepreneurs emphasized challenges related to building a strong management team to be able to delegate and ensure long-term stability and growth of the organization, while still protecting the organization’s mission and culture. This was confirmed in the global survey, where about two thirds of Schwab Social Entrepreneurs rated building a professional senior management team as “often hard” up to “a key challenge”.

To build that second layer, social entrepreneurs need to successfully recruit, develop and retain the right people.

2.1.1. Recruiting

Interviewed Schwab Social Entrepreneurs shared many stories about failed attempts to recruit senior management from the outside. While it is a common problem for entrepreneurs to find others to trust with part of their responsibility, this seems even harder for social entrepreneurs, who often lack sufficient professionalism in human resources (HR). When asked about the professionalism of their top management team, HR ranked lowest, with only 27% indicating that HR competencies were professional or very professional. However, professional HR is important, as entrepreneurs who had a more professional HR team perceived the second key leadership challenge of succession and delegation as less challenging than others.



“

So many social entrepreneurs have a hard time filling top positions and real difficulties in getting top candidates in the end. We found different reasons for that. On the one side, open positions are not widely published and people just ask around in their own existing networks. And sometimes, there is no real willingness to let people in and we have to work with the founders here a lot to help them understand that they have to pass something on to others; I think this is a big issue as well. On the other hand, there typically is no professional HR department or even one person with the right competences and qualifications. There is more to it than just reading a CV and talking to a person for a while; there are specific skills required.

”

Anna Roth-Bunting, Talents4Good (Recruiting services for social enterprises)

Thus, to recruit more successfully, social enterprises need to build stronger competencies and professionalism in the field of HR. Apart from the skills and knowledge needed for a particular position, three dimensions of suitability are important for any staff member of a social enterprise, and critical for high-responsibility positions:

1. Social mission fit
2. Cultural fit
3. Founder fit

2.1.1.1. Social mission fit

Social entrepreneurs typically take on the role as the guardian of the social mission of their organization. Passion for and understanding of the organization's social mission is an obvious criterion for suitable outside managers. Commitment to the mission and strong personal values are key to ensuring the new member of the management team will not readily compromise the mission for, for example, financial stability in times of crisis. Accordingly, many social

entrepreneurs who recruit outsiders fear compromising the social mission, especially if the recruited person has been successful within a for-profit environment. Of the surveyed Schwab Social Entrepreneurs, 51% said that recruiting senior managers who are fully behind the mission is “often hard” up to a “key challenge”.

“

They need technical skills for management and a humanist vision and idealism. I do not want a technocrat; I want a person who will say, ‘We should find a way to bring water to those villages... It can be done.’ I don’t want people who always agree with me; they can tell me when they think I am wrong about something.

”

Schwab Social Entrepreneur

Even if such a person resonates strongly enough with the social mission of an enterprise to actually join the team, at least in times of difficult choices and financial crisis, there is a chance that previously successful ways to frame a problem and strategies to solve it will serve again to guide the way. This will help to ensure the economic survival of the organization – but how can the social mission be protected to ensure it is not compromised too much for economic goals?



Example: Social mission fit

Setting

A new executive appointment led to the actual displacement of the founder from executive and board powers in a social enterprise with an innovative, environmentally-friendly consumer product, that invests all profit in charity and is mainly financed by numerous loans, equity and large-sum donations.

While the company had reached profitability, the founder sought to recruit a chief executive officer with more extensive business experience to further develop the business. As the recruitment process was carried out during a period of extreme duress after the financial downturn of 2009, the selection of candidates was urgently focused on their financial management skills.

Social entrepreneur's experience

The founder and the new CEO got along for a short period, but when they started working together on the new strategy, the founder recalled that the relationship quickly changed.

“

He was very bullish, not listening to any of my advice and we basically couldn't really communicate. It's hard to objectively say whether it was because he's such a ruthless personality, which is my perception, or if I was just too idealistic in protecting the brand and environmental mission – or something in between.

”

Schwab Social Entrepreneur

However, having been in business for eight years, managing nearly 20 employees and with dozens of funders and hundreds of customers, the founder was fairly confident that it was not her people skills nor ecological vision that were the problem. To her, it was a personality and cultural mismatch with the new CEO.

The CEO began to cut back on the environmental practices of the business. While increasing profits for charity, in the view of the founder, this grossly betrayed the mission of being a cutting-edge environmental venture. To the social entrepreneur, it also seemed like an ego-conflict, as she recalled measures taken by the CEO that seemed more about leaving a personal imprint, such as changing successful product designs early after coming on-board. When tension mounted over the issue of the company's mission, the CEO tried to convince the board that he no longer needed the founder's advice and that her views and strategies were actually impeding the business. By this time, the board was comprised almost exclusively of funders' representatives, and their financial agenda trumped the organization's ecological mission. The board took the side of the CEO and asked the founder to leave the company.

Lessons learned



I was never planning to remain the permanent CEO of the company and I was very happy to have hired somebody to take on the headaches that come with that role. However, I was shocked that someone I had recruited to help me grow the company could so easily turn around and betray me.

What I have painfully learned is to not trust funders or “commercial” employees with the social and environmental mission of a social enterprise. As a result, I am far more cautious about shareholders’ rights. Secondly, I recommend taking much more time assessing, screening and choosing your staff (and funders). While they may have great skills or resources, there truly needs to be a philosophical alignment when things become difficult for the company.



Schwab Social Entrepreneur

However, while this individual case may paint a gloomy picture of the impact of for-profit managers in a social enterprise – and many entrepreneurs may have experienced some tension between social mission and profitability – the results of the survey of 30% of social entrepreneurs in the Schwab Foundation network do not substantiate a general risk of social mission drift when recruiting managers from for-profits. On the contrary, almost 60% of the Fellows said they have successfully recruited and retained managers with a for-profit-background, and only 20% reported they have had conflicts with newly recruited managers from a for-profit-background. Not surprisingly, entrepreneurs who reported high levels of earned revenue have more successfully recruited for-profit managers.

2.1.1.2. Cultural fit

As reported in the first chapter of this manual, social enterprises thrive in an ethical, transformational and empowering culture and leadership style, which foster the employees’ satisfaction, motivation, commitment and intention to stay. Work ethics are typically characterized by commitment and a certain degree of self-sacrifice to the mission and organization, while intra-organizational conflicts and politics seem to be not much of an issue. The majority of both leaders and their interviewed team members rated internal conflicts as low. However, a good fit with the organizational culture and leadership style must not be underestimated, as it may not be a natural consequence of the social mission fit.

Accordingly, 61% of surveyed Schwab Social Entrepreneurs reported that recruiting senior managers who fit their culture and leadership style is “often hard” up to a “key challenge”. Every organization has unique cultural characteristics and a special style of working as a team. For example, while some entrepreneurs might care more about how many working hours their staff puts in, others may nurture a more results-oriented work culture. Because experienced senior managers are more likely be recruited from larger corporations, it is difficult to ensure cultural fit when recruiting them. Larger corporations are likely to differ in culture and leadership style from social enterprises, which can lead to a culture clash when recruiting managers from such culturally distinct organizations.



Of course, some professional knowledge and competencies must be there that fit the needs of the organization. But if this is the case while there is no clear cultural fit, I would refrain from taking the person on. I would not want to take the risk of him or her wreaking havoc on the team situation. And one single person can do just that.



Schwab Social Entrepreneur

Example: Cultural fit

Setting

At a non-profit organization in the development field with 40 employees, the key position of corporate communications – directed at external and internal stakeholder audiences – was filled with someone from a corporate communications agency background. According to the founder, it did not work out for cultural reasons such as personality and style of working together, as the person was not a team player and had a competitive attitude towards staff members instead of perceiving them as an asset.

Social entrepreneur's experience



It lies in the way someone enters their office, addresses subordinates, in terms of body language, facial expression and tone of voice, how someone reacts to the pressure of deadlines, or in general works to push forward their own interest. We never had much office politics but suddenly there was a culture of specific people going out for lunch together, building up momentum for a certain agenda, and then all of a sudden you have different camps within the organization... And people started to ask themselves questions that were never an issue, such as, shouldn't I maybe earn more money? How do I need to present myself to be successful here, should I act more like this new manager because this is how you get to a leadership position here? Do I need to build a 'pressure group' to advance my position? There are lots of ways to address issues of individual development, compensation and so on, we never had this kind of atmosphere before.



Lessons learned



It is incredible how just one person in a key position can turn the team atmosphere upside down like that. So, cultural fit is critical, absolutely. We needed to say goodbye after one year, and should have done so after three months. But, you know, this is a situation where you need to show real leadership responsibility – when you bring someone new on-board, first you stick to that decision and try to make it work. But you must not miss the moment where it is evident it was a mistake, your mistake as well, and then take the tough decision to correct that.



Thus, a central aspect of culture should be everyone's motivation to work towards the achievement of the mission instead of focusing on individual rewards such as power or financial compensation. Relying strongly on volunteers who are not driven by financial compensation, however, bears its own risks. The survey shows there is more emotional conflict and tension among members and between staff from different backgrounds in organizations with more volunteers. Also, organizations with more volunteers report significantly more conflicts with recruited managers from for-profit companies.

2.1.1.3. Founder fit

The members of the management team need to be able to work together well with the founder in terms of personality, skills and attitude as well as loyalty to the founder and the founder's achievements. As the founder usually receives most of the external attention and praise, senior managers in social enterprises should be prepared to receive only little acclaim from outside the organization. More than other types of fit, founder fit is not just about similarities, but also about complementarities. To compose a strong and effective leadership team, senior managers should complement the particular strengths and weaknesses of the founder. Often, the founder of a social venture is more creative and visionary than organized and attentive to details, while the organization needs all these talents to develop successfully.

Example: Founder fit

Setting



We were at a point where there was clearly a global potential for the venture, but it became evident that some competences were missing. We were organically grown to put it in a nice way, you could also say running in a home-made, everyone-as-good-as-they-can style of work. And for me personally, it was too much management in my daily work, not enough mission – and I am a bad manager. So, we decided that we needed a professional COO who could set up the right processes. There were quite some applicants, and all of a sudden there was this perfect match, a young lady with an international background, a US MBA, a great corporate career, but also volunteer experience very close to our mission.

Social entrepreneur's experience

When she came on-board, she came with a lot of energy and a 'new broom sweeps clean' attitude, not respecting any of the work that we had done before and it was a complete failure. We had lots of fights, and in the end she did not deliver what was expected as she was not used to a work environment where there is no large staff but management has to actually do a lot themselves. She was like 'so who's the CFO here' – but we don't have a CFO, we're not even 20 paid staff here. She produced a lot of expenses as she was just used to a different level there as well. So, when we were facing a financial crisis, I had to take some tough decisions and ask her to change position.

The position was then taken over by someone who had been with us for years and she is doing a great job now. We are just all very close friends and colleagues in the core team. Our former COO is still with us most fortunately, as an independent franchisee overseas and we have a very good relationship.



Schwab Social Entrepreneur

Former COO perspective



When I joined that organization, it all went incredibly fast. I wrote an email, got a reply by the social entrepreneur within five minutes, we met up three days later, and the next month I joined as the new COO. At that time I was really hoping that I could bring some of my business knowledge and experience from the past ten years to help that social enterprise to scale at a global level. But it was difficult at the very beginning because I was shocked by a lack of processes and lack of operational mechanisms as I had an expectation of a company of over twenty years – I was not aware that the current form of the company was much younger than the overall program they had invented much earlier. They're quite well known, internationally and globally, but when I came in I was quite shocked. So I was quite impatient and also, you know, I'm very blunt. When I saw problems, I was very eager to change the problem to make a difference - I was there to help. We actually had several harsh conflicts, because when I looked at the situation, came up with a proposal, and started taking action I just got very defensive and emotional reactions.



Former COO

Lessons learned



Today, I understand that many of the conflicts were ego-clashes, and that I and my team also had our part in that. We were quite sensitive about criticism and did not provide enough space for her to actually change and improve things. But most of all, I learned that hiring someone external needs much better preparation. I need to take better care that people do not come on-board with the wrong expectations related to team size or working environment. And providing someone internal with the opportunity to take on more responsibility and develop into a COO position can also work really very well.



Schwab Social Entrepreneur



You have to realize that a social enterprise is always a lot more challenging and more difficult to develop than a commercial business; it's such a new business model. You really put your heart and blood into it and it is difficult to accept criticism on that end. It's like your own baby. Now that I'm on the other side running my own social start-up, I can understand what the social entrepreneur was experiencing back then. I know that also for him it was very, very difficult. Rationally, he would have always said: 'I need to be hands-off now', but it is not easy to do, it needs some time to make that shift.



Former COO

2.1.1.4. Attracting skilled managers

When searching for the perfect candidate in terms of mission, culture and founder fit, social entrepreneurs often have high expectations. However, the question is: how can social entrepreneurs, who usually offer less attractive compensation for long work hours and little acclaim, expect to attract skilled managers? When recruiting from the for-profit world, there is a mixed message: On the one hand, interest in the social sector is rising, for example, among mid-career managers and business consultants looking for new challenges and longing to make a meaningful contribution to society. At least in theory, social enterprises can offer a perfect combination of social mission and a business approach to people who want to bring their business knowledge and skills to do good.



It really is a problem in many charitable organizations or social enterprises, that they do not offer satisfying career paths for someone who could be classified as a high potential and also succeed in the business world. These people want to advance.



Anna Roth-Bunting, Talents4Good (Recruiting services for social enterprises)

On the other hand, while some candidates might be financially settled and willing to work for very little compensation, most are used to attractive salaries and compensation packages and have established a lifestyle and expectations that are hard to reconcile with the resources of a typical social venture. Candidates therefore have to be won over by immaterial rewards related to the mission, but also by organizational culture and flexibility of working conditions. However, also outward recognition is a currency that counts, as it seems less attractive to work in a social venture that is hardly known, or to remain in the shadow of a famous founder at a prominent social enterprise. Thus, despite that many have successfully recruited and retained managers from a for-profit-background, 61% of the surveyed Schwab Social Entrepreneurs reported that attracting highly skilled senior managers to their organization is "often hard" up to a "key challenge".

2.1.2. Leadership development

Recruiting for top-level positions from the outside can bring on-board competent people with just the right prior experience and professional qualifications, along with a fresh perspective. Many of the potential problems of outside recruiting, however, can be avoided by promoting existing staff into senior leadership positions – with the additional benefit of offering rewarding career opportunities to your employees. However, internal leadership development also needs a conscious effort, some skills and knowledge, and an investment of time, energy and money.

About two thirds of Schwab Social Entrepreneurs rated developing a strong and competent middle management as “often hard” up to “a key challenge”, and 50% said the same for supporting promising staff to become ready for a senior management position.



We are trying to develop our own approach to leadership development right now, but it is not easy to find a way that fits both our real needs and our budget. We have tried different things in the past, for example with pro-bono consultants. They came and did the Myers-Briggs test with us, so we found out more about our own and our colleagues’ types of personality. However, there was no follow-up on that, how to use that information. It did not really help us with hands-on problems such as how to improve annual performance review meetings. Another thing we did was 360° feedback, a ‘hot seat’ exercise – that’s a really dangerous tool, to be honest. You sit in the middle and everybody gives you their personal feedback about your work, positive, not so positive... and then people were a bit left alone with the results. We did not really have the means for on-going individual coaching later on.



HR Officer at a Social Enterprise

However, most surveyed Schwab Social Entrepreneurs reported that they offer such training. And with good results, as entrepreneurs who offer such training to staff experience less issues with succession as part of the second key challenge. While many social entrepreneurs might place a higher emphasis on transformational leadership, which focuses on leading through being visionary and a role model, the survey results clearly indicate that leadership development in the form of giving positive feedback and recognizing team members for good performance is important in retaining employees.

2.1.3. Retention

For social enterprises, employee retention is of critical importance as it is often hard to replace staff with outside candidates who have a comparable mission, culture and founder fit. Team members that have successfully been socialized into the hybrid environment of a social enterprise and are familiar with its specific business model are key assets.

At the same time, social enterprises tend to “hire young” due to lower salary expectations of less experienced employees and greater adaptability to a hybrid organizational culture.

However, as especially talented and ambitious staff want to broaden their experience and take over responsibility, they are often lost if they are not offered interesting career and development prospects within the organization. While many social enterprises are growing fast, new leadership positions cannot always be translated into promotion opportunities if active internal leadership development is neglected.

Another issue for many social enterprises is the lack of financial resources, leading to below-market wages and unfavourable workplace equipment. While especially young and idealistic team members dedicated to the social mission might be willing to work under less-than-ideal conditions for a certain period of time, when financial obligations related to for example family life and settling down increase, needs and expectations might change.

Thus, 47% of surveyed Schwab Social Entrepreneurs said that keeping talented and ambitious staff with the organization is “often hard” up to a “key challenge”, and 40% said that keeping good senior managers with the organization is “often hard” up to a “key challenge”.

“

You cannot find ‘job-ready’ employees for our types of projects. Every employee who was with us has been trained by us and learned it on the job – and then they are sought after elsewhere. So, the model is not quite right here, I give away too much. Actually, I should be paid for all the leadership training I do. I develop the people, and before I get any returns here, they get other offers and leave us too soon.

”

Schwab Social Entrepreneur

On the positive side, the study also shows that senior executives in social enterprises mostly show great commitment to the organization and a high intention to stay on-board in the future, which is based on the social vision and the inspiration and leadership provided by the social entrepreneurs.

To build – and keep – a strong management team, social entrepreneurs should complement their most effective leadership behaviours with increasing professionalism in managing human resources as related to recruiting for high-responsibility positions, developing their internal talent pool and retaining their best employees.

2.2. Key Challenge 2: Delegation and Succession

The second key leadership challenge consists of two related aspects, delegation and succession. Succession was reported to be more challenging than delegation from the perspective of the social entrepreneurs. Of the Schwab Social Entrepreneurs, 46% said that developing a plan for succession is “often hard” up to a “key challenge”, while 29% reported this for leaving operative decisions to the management team.

2.2.1. Delegation

According to interviews with Schwab Social Entrepreneurs and their staff, the challenge of delegation has at least two faces. While there needs to be a suitable candidate or team to fill the founder’s shoes – in parts or fully, temporarily or permanently – the key factor is the social entrepreneur’s own attitude and ability to let go. Many interview partners emphasized how important it is for them to develop a “lean-out” attitude over time and consciously disengage from operations in favour of a clear focus on strategic aspects of the organization’s development. To do so, it is important to be able to discern between key threats where they need to step in, and less critical issues that should be left to the team and responsible staff to decide.

“

My advice will be to trust your organization, and when you reach a certain scale, you also reach a certain level of sustainability. So even if I am not entirely in line with everything that is decided, I have a tendency to let go. If, however, there is something really fundamental to the original vision and mission of the organization that is to be changed – I will get involved. In a way, I do stand for the vision of the organization, and I think it is part of my role to guarantee that the vision and mission are followed. But where it doesn’t immediately have any consequences to the greater strategic lines of the organization, I think there’s little need to make it a combat of egos – because often it is just that – just one person’s opinion against another.

”

Schwab Social Entrepreneur

Others seem to struggle with this issue, and even prone to disregard and disturb organizational structures or processes by trying to push through their latest ideas and transgress competencies of intermediate management or COOs. What is true for the mere delegation of operational responsibilities also goes for the often-unpleasant realization that there will be the need to hand over the whole organization to others in the future.

“

It's really simple, but it's very difficult, because you have to let go at the same time as keeping an eye on things. You have to track things, to trust people, and you have to find the balance between trusting, tracking and controlling, and then you have to make sure the system is working, and you need really good people to do that. But you can get them if your vision is clear, and your purpose is clear, and that's your job as an entrepreneur. You have that job, you're in-charge of the vision, you have to monitor the purpose and you're responsible to get the right people to deliver on the strategy.

”

Steven Wilkinson, Investor

While challenges of succession affect the social enterprise in a hopefully distant future, delegation is important in day-to-day business. To focus on their core role as “evangelists” of their organization, social entrepreneurs need to delegate some responsibilities.

“

My central management challenges is that I am doing too much myself. As we are always handling more things and projects than our management capacity would allow, I have to help out our department heads – if one is overloaded with two projects, I take on one of them. It goes so far as that sometimes I even do the billing. [...] It takes four weeks to mess up the distribution of tasks and responsibilities, and four months to re-establish a disciplined order. And I think that's really on my account.

”

Schwab Social Entrepreneur

However, delegation has multiple benefits, starting from lifting some of the heavy workload from the entrepreneur's shoulders with positive effects on their work-life balance as well as on the quality of their work.

“

It is helpful to understand early on that you are not just doing yourself a favour if you hand some things over, but also doing a good thing for the others – I believe it can be a relief for many founders or leaders to find out that this is indeed an option. Too many feel that they need to always know more than everyone else, always have the answer, always be able to take a decision at any time. This mounts so much pressure and you will not be able to live up to that. And you don't need to, either.

”

Schwab Social Entrepreneur

Apart from this, overall performance will highly benefit if responsibilities and tasks are distributed among a core team according to their respective strengths. Additionally, job satisfaction and retention of the team members might also increase significantly if the founder demonstrates trust in the team and gives them the space they need, assuming that delegation does not come with an overwhelming workload and amount of pressure.



Examples of Strategic Delegation

“

I am far less concerned with implementation by now; the operative team has grown larger and I have moved to a more strategic level over the years. And I see that as a healthy development. You cannot stay so deeply involved in the operations, or else there is the danger of burnout, which is one of the problems of social entrepreneurs.

”

Schwab Social Entrepreneur

“

In the first eight years, I was located with the majority of the team, directly and permanently available – and through that, a bit too much involved on the operative level and in day-to-day decisions. By the end of that stage, however, we had grown very international and decentralized, with up to 40% of staff abroad. We had matured and our model was clear, so we decided to develop a 10-year outlook in the leadership team and a five-year plan, backed up with a resource plan and we do annual strategic planning. I am still the CEO, but we have established a COO and CFO role. So, my direct, official contacts in the organization have reduced from about 40 down to just those two, plus a leadership team composed of the heads of units and regional offices.

”

Schwab Social Entrepreneur

Examples of Strategic Delegation

“

As soon as there was funding and I got people engaged, after one year I handed off to a CEO. Of course, at that early stage, we were a very small team, but I think it's quite important to let go of things as soon as possible. In the following 10 years, we grew from a team of three people to around 100 to 120 staff. I stayed a bit of an intrapreneur up to that stage, and also a bit of the cross-matrix person filling the needs wherever possible. And whatever time I had left, I increasingly spent on public relations and fundraising. Today, I almost don't do anything operational anymore and fully concentrate on corporate affairs. And in a way, I am an entrepreneur again, spending part of my time on developing new applications and trying to create a self-sustaining business model for the organization.

”

Schwab Social Entrepreneur



2.2.2. Succession

Succession of the founder can become necessary because the founder leaves the organization due to retirement, decides to pull out of the operations of the organization into an advisory role on the board, or embarks on a new venture or different career path. However, the organization should always be prepared for an unexpected emergency – anyone can fall seriously sick or have an accident and be temporarily out of the office, or even worse.



If I was suddenly gone? Everything is sorted out for this case. I have had cancer – I was seriously ill and this was a turning point for me to realize that I have this responsibility and that I need to take very solid measures. All our contracts, bank accounts, succession plans – it's all very clear and safe and transparent to the team, and if I am gone tomorrow, the company is fully functional. Before that, there was just me and my own business. But five years ago I founded this current company and gave shares to my closest partners, for free, and they will also inherit from me. We are a partnership now, so it was a clear hand-over of power, and most of all an important step to guarantee the stability of the business without me.



Schwab Social Entrepreneur

Still, only 31.5% of the surveyed Schwab Social Entrepreneurs have a clear succession plan for the social entrepreneur's retirement or unexpected absence. The stakes are high, as a successful succession will decide both the future of the organization and its commitment to the original vision and mission.



The successful future of a social enterprise depends heavily on the openness of the founder for a succession plan – no one is irreplaceable.



Martina von Richter, PhiTrust Partenaires (Impact Investors)

When asked what would happen if the social entrepreneur suddenly disappeared from the organization, interviewed staff often expect the core operations to remain stable, but without further innovation and development. Some also voiced concerns about who would be able to hold together the different aspects of the venture, such as different lines of business and diverse stakeholders or even staff groups, who are now all aligned behind the mission by the founder as an integrative force.

Many founders themselves worry most about how to avoid mission drift once they are no longer in control of their organization. And not without reason, as some of the interview partners have had difficult experiences with newly-hired CEOs in this regard, as described above. However, the interview partners also shared promising approaches to planning ahead for succession, changing position internally, or going through actual replacement of the founding social entrepreneur at the head of the organization.

Example: Executive director succession

Setting

After 15 years of service, the founding executive director of an association that offers caring service for around 100,000 elderly citizens and their families with more than 250 staff and 1,200 trained volunteers decided to step down.



Timeline of events

Time	Events	Comments and Recommendations
September 2010	Executive director (ED) decided to resign and step down	Actively share the plan with the executive committee (EXCO) well in advance
September 2010	EXCO accepted ED's resignation but invited him to stay as adviser after a transition period of six months together with the new ED	Openly and genuinely discuss the timeline; try to find a way to use the experience of the original ED, also in the future
October 2010	EXCO formed a recruitment task force	Original ED serves as the secretary of the ED recruitment task force (to support the process but not decide on the new appointment)
November 2010	EXCO decided on mode of recruitment: website, print ad, internal memo and head hunter agency	Research is needed on suitable head-hunter agencies
November 2010	EXCO appointed head hunter agent and started the recruitment process	Compile expectations and requirements of the new ED applicant for the agency
February 2011	First interviews were held of short-listed candidates	Select the agency according to the defined requirements; interviews should be conducted by the task force
March 2011	Second interviews were held of selected candidates	The task force conducts interviews and makes a recommendation to the board
April 2011	A board meeting discussed and endorsed the recommendation of the ED recruitment task force	The task force answers all questions by the board members, obtaining 100% agreement and support from the board prior to the offer
June 2011	The selected candidate was offered the appointment	After informing the selected candidate, plan some time to work out the terms of contract in detail
September 2011	The result was announced to all staff members	An early announcement relaxes the worries of the staff and allows time for the handover
October 2012	EX-ED worked out a handover summary including an overview of the contact network, etc., for the new ED	It is important to ensure knowledge management
February 2012	New ED came on-board, EX-ED and chairman of the board introduced him to all colleagues at a full staff meeting	The Ex-ED serves as a consultant to the new ED to pass on knowledge and experience and ensure a smooth transition
July 2012	EX-ED stepped down	EX-ED continues to serve as a senior project consultant for overseas franchising and licensing

Lessons learned

- It is important to allow ample time for the succession process, which took almost two years in this case.
- Key considerations are knowledge management and minimizing atmosphere of uncertainty and staff concerns.
- Knowledge management can be addressed by having the leader stepping down prepare documentation, by allowing a joint transition period where the head and successor work side by side, and by keeping the former head of the organization on-board in a consulting function after the transition.
- The atmosphere and staff concerns can be addressed by a well-managed process involving clear responsibilities and timely and transparent communication once decisions have been taken.

2.3. Key Challenge 3: Balancing and Integrating

The third key leadership challenge of a social entrepreneur consists of two elements. One relates to balancing conflicting demands from the often manifold roles and aligning the daily work with actual strengths and preferences to ensure highest effectiveness as well as motivation. The other is that this challenge is about integrating differing, often conflicting stakeholder interests inside and outside of the organization.

2.3.1. Balancing responsibilities and focusing

What is unique about social entrepreneurs is that they go far beyond their duties as leaders and managers of a single organization to achieve their mission. They also relentlessly advocate for their cause on any suitable occasion to achieve broader systemic change. Those that are part of international support networks such as the Schwab Foundation community greatly benefit from access to regional or international networks and events. Often, with increasing growth and acclaim comes more responsibility to represent the organization on a multitude of occasions related to, for example, fundraising, awareness raising, political advocacy and civil society coalition building, or to spreading concepts and ideas through talks or direct consulting and training. Therefore, 42% of surveyed Schwab Fellows said that balancing responsibilities at the (main) organization with, for example, speaking engagements, research and advocacy work is “often hard” up to a “key challenge”.



“

In 2003, my father received the Right Livelihood Award and we were both selected as Outstanding Social Entrepreneurs by the Schwab Foundation. We started to receive large numbers of national and international media inquiries and invitations, and needed someone who could present our work and vision to journalists and politicians.

In addition to the CEO responsibility, I took on the role of our outside representative – which led to a dilution of my engagement at our company and foundation. More and more of my time and energy went towards the outside, to the extreme that, at one point in time, I found myself a member of more than 50 boards and councils, both nationally and internationally. I travelled abroad for often several days each week, and met important government leaders abroad such as Angela Merkel in Germany or President Barack Obama in the White House.

People listened to me and our international recognition and influence grew strong, along with an ever increasing number of potential cooperation projects or joint initiatives with others that started to go way beyond our capacity. I regularly missed internal events and meetings with our staff and had never enough time for my core team of managers, which was also hurting our business success. But worst of all, there was no time left for introspection or reflection of events and strategies, and little for my own development and that of our organization.

Since 2011, I have changed my focus, have cut down political involvement to a minimum and limited international travel and speaking engagements, in favour of strengthening the heart and core of our business and development organizations – and a more balanced personal life for myself, together with my family and grandchildren, and time to reflect, to read and to renew my sources of inspiration.

”

Schwab Social Entrepreneur

“

One of the greatest dangers of social entrepreneurs, that they let themselves be distracted. You are asked to contribute here or support there with your specific approach and experience. We had some examples where we really had to refuse high-level inquiries to stay focused on our core mission. It may be tempting to go after the flowers next to the trail, but then you are not moving forward.

”

Schwab Social Entrepreneur

Torn apart between different aspects of their multi-faceted leadership roles, social entrepreneurs often have a hard time focusing on doing mainly what they are good at and also enjoy. Founders of a new organization often tend to – or have to – take over whichever responsibilities and tasks are not filled (yet) by suitable team members.

“

Another leadership characteristic is that you have to be very versatile in the sense that sometimes I had to take up tasks that there was nobody for and nobody wanted to do.

”

Schwab Social Entrepreneur

However, it serves the organization best if every member focuses on the tasks that are well aligned with their strengths and expertise. To keep up their spirits and energy, social entrepreneurs should also try to dedicate enough time to those tasks and responsibilities which they actually enjoy.

“

All that ‘missionary’ drive aside, one key motor to keep you going is to enjoy what you do.

”

Schwab Social Entrepreneur

About 40% of the Schwab Social Entrepreneurs agreed that focusing on both the work that best fits their strengths and the work they enjoy most is “often hard” up to a “key challenge”. With organizational growth and professionalization, deliberate hiring and delegation are key to ensuring that the founders can focus energy and skills on what they do best and where they can put in their hearts. But it is also important to base the allocation of time and energy on clear insights into what the organization really needs to fulfil its mission.

“

You need to know exactly what business you’ve got as a social entrepreneur. You need to know, ‘Am I a 100% subsidy business, or am I a business with subsidies in the start-up phase, and a for-profit or a self-generating cash flow model afterwards?’ Then, you need to accept as a reality in your life that you’re going to spend 60 to 70% of your time fundraising. The worst thing you can do is start a business thinking that you can generate enough cash flow to keep your business going, and in fact you can’t. Because then you don’t budget your time properly and want to spend 70, 80 or 90% of your time doing your impact stuff and find yourself having to do fundraising instead, and it’s a real stress. So, you can have a non-self-sustaining business, but you have to organize yourself around that business model and accept it and love it. Because if you don’t, you will end up hating it all.

”

Steven Wilkinson, Investor

In terms of strengths, a number of interviewed Schwab Social Entrepreneurs and their staff openly addressed, for instance, how the personality and attitude of the social entrepreneurs better match a role as visionary leader and source of creative-destructive impulses – and not so much a diligent administrator who establishes the necessary processes and routines as the organization grows. Mostly, they stressed the importance of competent team members with complementary management skills and/or strong organizational processes that can balance the personality traits and use their strengths without impeding organizational development and success.

“

I think I'm quite a chaotic person; I'm not very structured. But in a way, that is allowed, because I surround myself with people who do have these competencies.

”

Schwab Social Entrepreneur

Survey results show that, not surprisingly, focusing on the work entrepreneurs enjoy most and best suits their strengths is easier when the entrepreneurs manage to build a professional and cohesive management team. Highlighting the importance of complementarity in team composition, Schwab Social Entrepreneurs who employ a higher proportion of staff with a completely different background than the entrepreneur report less struggle with focusing on suitable and enjoyable work. Diversity in recruitment and team building, however, seems to differ based on their own work background: Schwab Social Entrepreneurs with a strong business background employ significantly fewer people with different backgrounds, while those with strong volunteer work experience employ significantly more people with a different background.

2.3.2. Integrating conflicting perspectives

Addressing the pressing needs of specific societal groups and often partnering with other institutions serving a similar purpose, social entrepreneurs are accountable to a diverse range of external stakeholders. Dealing with this situation is one of the key leadership skills most social entrepreneurs bring from the start. Still, 35% of social entrepreneurs said that balancing conflicting stakeholder interests is “often hard” up to a “key challenge”.

This enriching, but also challenging diversity does not stop at the outer boundaries of the social enterprise. The diversity of stakeholders is also mirrored within the organization in terms of diverse backgrounds of staff, which brings together a variety of experiences but also sometimes very different perspectives or even conflicting logics and mindsets.

“

The challenge is how to balance different backgrounds of employees with a more business-like mindset and entrepreneurial attitude on the one side, and an NGO identity on the other. Another challenge is how to handle a situation where you are used to fundraising but would like to generate more income.

”

Schwab Social Entrepreneur

Asked about conflicts within their organizations, Schwab Social Entrepreneurs indicated that it is not a very big problem. Still, a deeper analysis of the survey results showed some interesting results: the social entrepreneurs perceived balancing responsibilities and stakeholder interests as more challenging when conflicts in the organization are stronger, probably because it makes the act of balancing external demands more difficult when internal stakeholders are in conflict as well. There was also a connection of conflict to the kind of people working with the organization. Emotional and personality conflicts between members of the organization were reported as higher in organizations with more employees with a social work background. Conflicts related to different goals, mindsets or professional backgrounds were reported as higher in organizations with more employees with a business background.

Integrating different stakeholder groups was described as a key function of the social entrepreneurs by some of the staff members in the interviews who were worried that it would be hard to replace them with a successor. To reduce this dependency, it might be helpful to establish a culture and practices across the organization that take advantage of diversity and integrate differing perspectives in everyday communication and decision-making.

2.4. Key Challenge 4: Personal and Professional Development

Leadership – and leadership skills development – is first and foremost about self-leadership and self-development. While both technical and management skills will be necessary to found and lead an organization to success, it takes great clarity of mind and high awareness for complex realities to craft trailblazing strategies. A mature personality is needed, for example, to strike the right balance between showing pathways forward while empowering team members. Especially in the field of helping others and solving social problems, the critical role of strong personal ethics was emphasized by social entrepreneurs.



“

What I think is really important is the development of ethics, and in my case, my Zen practice has been very helpful. When faced with a tricky situation, I meditate over it, I take a bit of a distance, let it sink in, and naturally, automatically, almost unconsciously things get sorted. Like a glass of dirty water put on a shelf, after some time, all the mud is at the bottom and the water on top is crystal clear. In the same way, complex matters requiring difficult decisions become clearer if you give them time and enough distance, and give enough trust to the people who are in the organization with the competence to deal with the matter.

”

Schwab Social Entrepreneur

In the survey, Schwab Social Entrepreneurs rated the improvement of their own managerial skills and leadership style as the least problematic of all leadership challenges. Less than one third of respondents perceived developing their own management skills to suit their organization's needs and developing their own leadership style to suit their organization's needs respectively as “often hard” up to a “key challenge”. The qualitative interviews with social entrepreneurs, however, clearly showed the importance of continuous personal development. Concerning their development as effective leaders, social entrepreneurs heavily emphasized the need to reduce the role of the ego in decisions and conflicts, and the value of religious values or spiritual practices such as meditation to achieve this goal.

“

I think the times I have made mistakes were when I had let my ego lead me. Ego is a big problem. When you start trying to get recognition, you fail. The trick is to get things done and not having to take the credit. But it takes a lot of humility and professionalism not to follow the track of the ego you know. This is very important.

”

Schwab Social Entrepreneur

“

I am very glad you are exploring spiritual work and personal development here. They are the most important in my opinion.

”

Schwab Social Entrepreneur

Mastering the fourth key challenge of personal development is the basis for mastering all the other challenges. For example, it became clear from cases of conflict with newly hired managers or accounts of disappointed staff that the attitude and level of awareness of the founder is a main success factor for building – and retaining – a strong management team, which is the top key challenge of seasoned social entrepreneurs, according to the global survey. Similarly, effective delegation and succession planning showed to depend heavily on the founders' realization of ever present change, including their own limitations and finiteness. Self-management in terms of balancing responsibilities and focusing one's own time and energy on the right kind of tasks undoubtedly also depends on inner qualities of leaders that enable them to identify the right priorities and act accordingly, which often means doing less.

Combining the results of the interviews and the survey, the low rank of personal development as a key leadership challenge should not be interpreted to indicate that social entrepreneurs underestimate this important aspect in leadership and life in general. They do acknowledge the huge importance of personal development for being effective leaders, and most of them have already found their personal methods and techniques for taking advantage of the potential benefits.

Chapter 3 of this manual provides social entrepreneurs with a practical guide on how to overcome the key leadership challenges they face in the development of their organizations.

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Challenge 1: Building a Management Team

Roles to be filled in the management team

Social entrepreneurs initially play many roles in their organization. With growth and professionalization, they need to build a core team that can take over some of these roles. In the long run, all roles will need to be taken over by others, if the organization is to survive the exit of its founder.

The five key roles in the social enterprise leadership team

Evangelist	<ul style="list-style-type: none"> – Carries deep passion for the organization’s mission – Convinces others and rallies external support – Identifies new opportunities for the organization – Maintains the organization’s culture – Typical Position: Founder and CEO
Scaling partner	<ul style="list-style-type: none"> – Develops and implements strategies to realize the vision and mission – Strategic planning and resources management – People management and organization building – Creating and managing systems for efficiency (organization building) – Reward systems for employees (HR management) – Typical position: COO
Realist	<ul style="list-style-type: none"> – Brings strong skills in accounting and implements financial systems adapted to the organization’s size and structure – Keeps the organization “grounded in financial reality” – Typical position: CFO
Connector	<ul style="list-style-type: none"> – Builds and maintains a strong network and ensures the evangelist meets with the right people and speaks to the right audiences – Drives strategic fundraising and public relations efforts, builds and leads the relevant teams – Typical position: Various – critical to have clear division of labour with the evangelist
Programme strategist	<ul style="list-style-type: none"> – Brings strong expertise and experience in the field of work of the organization – Ensures programmes are designed for maximum impact and that impact gets measured – Supervises programmes and drives quality assurance – Typical position: Head of Programme Development

Source: Below and Tripp (2010), adapted

Recommended reading: Below and Tripp, 2010: “Freeing the Social Entrepreneur”, SSIR

Challenge 1: Building a Management Team

Team development

The core team needs to invest in team development on a regular basis, at least in the form of an **annual retreat**. It needs to ensure there is sufficient time allocated each time to develop and deepen the common understanding of the vision, mission and strategy, as these may drift apart over time.

To stay focused and effective, identify strengths and challenges of the team situation with the **self-assessment** below.

Step 1: Each team member completes the assessment for the current team situation

Step 2: Collect all evaluations on a flip-chart to get a graphical overview

Step 3: In parallel, put all results in excel and calculate the average for each category

Step 4: Discuss what drives the highest-ranked categories, and then discuss what is missing in the lower ranked ones

Step 6: Agree on clear measures to improve lower categories in a specified time frame

Leadership team self-assessment: Eight characteristics of successful teams

1) Shared common goals	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10
2) Complementary roles and skills	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10
3) Close communication and cooperation	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10
4) Common values and norms	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10
5) Systematic processes and rules	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10
6) Team spirit	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10
7) Achievement orientation	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10
8) Conducive team size and structure	1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	10

If you are not sure how to address some of the challenges found, bringing in a **professional team coach** will be worth the investment. You can also try to find a pro-bono consultant for this. It is essential to keep track of and work to improve on relevant issues throughout the whole year.

Challenge 1: Building a Management Team

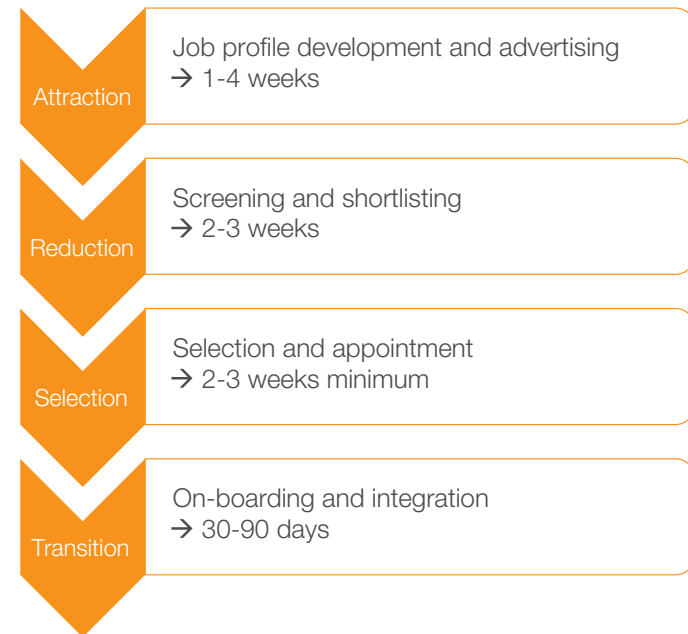
The Recruiting Process

Recruiting is more than just reviewing CVs and talking to interesting candidates. And when recruiting for the management team, time and efforts will highly pay off, while mistakes can set the whole organization at risk.

A skilled individual or a team must be in charge of coordinating the overall recruiting process as illustrated on the right, and executive search firms can also support and guide the process.

It is important not to underestimate the overall duration of the process, which will take at least several months, and to ensure sufficient capacity for related administrative tasks.

Make sure to appoint someone in charge of the overall process to ensure professional coordination. To support the process, you can also contract a recruitment firm specialized in the field of development, sustainability or non-profit recruitment.



Source: Annika Behrend (2014), based on Pilbeam and Corbridge (2010)

Recommended reading: www.bridgespan.org/nonprofit-hiring-toolkit [tools and guidance for all steps of the process]

Challenge 1: Building a Management Team

Job Analysis and Job Profile

To prepare recruitment for a senior position, it is important to go beyond compiling a simple job profile as published in the job offer posting, and first conduct a thorough analysis documented internally in both a job description as well as a person specification for the ideal candidate.

Elements of the job description
✓ Location within the organizational structure
✓ Accountabilities, responsibilities and organizational relationships
✓ Job duties and content
✓ Job objectives and performance measures
✓ Terms of employment and working conditions
✓ Skills, knowledge and competencies required
✓ Other distinctive job characteristics

Job description: Purpose, task and scope of the job

Source: Pilbeam and Corbrigde (2010), adapted

Recommended reading: www.bridgespan.org/nonprofit-job-descriptions

Factors	<i>What is relevant for this position? How can this be measured/indicated</i>
Skills, knowledge and competencies	
Personality characteristics	
Level of experience	
Certified qualifications	
Development potential	

Person specification: Characteristics of the suitable candidate

Internal versus External Hiring

As social enterprise founders and their teams often grow along with the organization, once there is a real need for professional expertise, many social entrepreneurs look to the outside to hire someone who brings desired skills and experience along with a fresh perspective. But often, it is difficult to find such candidates who fit well with the organization's mission and culture and form a dream team with the founder, and who do not have too high salary expectations.

Both external and internal recruiting have their pros and cons as illustrated in the table on the right. When promoting internal candidates into leadership positions, make sure to provide adequate training opportunities to fill skills and experience gaps. When selecting outside candidates, it is critical to pay close attention to soft-fit criteria related to their personality, values and adaptability.

Candidates	Internal	External
Culture Fit	✓	?
Founder Fit	✓	?
Mission Fit	✓	?
Skills Needed	?	✓
Professional (outside) Experience	?	✓
Fresh Perspective	--	✓
Knowledge of Staff and Stakeholders	✓	?
Settling-in Time (typical)	less	longer
Salary Needs (typical)	lower	high

Recommended reading: www.bridgespan.org/assessing-candidate-fit

Challenge 1: Building a Management Team

Where to Find Candidates

To fill critical skills gaps in the management team, social entrepreneurs often wish for candidates with a for-profit background in education and experience.

There is a growing pool of mid-career personnel in the for-profit world who are ready to dedicate their talents to a more meaningful cause. However, as many social enterprises tend to communicate and fill open positions mainly through personal networks, it is hard for them to find such candidates.

It is a useful strategy to deliberately extend personal networks and HR advertising into often untapped areas such as suggested in the table on the right.

Where to find candidates with a business background?

- Business school alumni networks and career centers for executive MBA graduates, e.g. INSEAD (ES), HEC (FR), Harvard/Stanford (US), IIT/IIM/ISB (India), etc.
- Alumni networks of student organizations, e.g. AIESEC, Enactus, Oikos, etc.
- Large consulting firms offering leave options, as well as their alumni networks, e.g. McKinsey, BCG, Bain & Company, Deloitte, etc.
- Specialized green/social/development job platforms (partly also recruiting services), e.g. devnetjobs.org, idealist.org, opportunejobs.com, Bridgespan (US), karmany.org (IN), jobsforgood.com (IN)
- Specialized non-profit/social enterprise recruiting firms, e.g. Talents4Good (DE), Resonate-rse (UK), thirdsectorpartners.com (IN)

How to Attract Candidates

Social enterprises typically cannot offer market-rate salaries for well-educated candidates in senior positions. Employer branding is therefore critical, and you need to advertise the most attractive features of your workplace and organization – the **employee value proposition** (EVP).

Apart from the typical features of social enterprises in a growth period as shown in the table on the right, it is important for your EVP to professionalize HR management in terms of, for example, dedicated support of individual employees' career development.

Typical EVP assets of social enterprises

- Meaningful work directly contributing to a social/environmental mission and vision
- Access to network of interesting and inspiring social innovators
- Engaged and committed team of truly value-driven colleagues
- Un-bureaucratic organization welcoming creative problem-solving
- High responsibility in challenging and dynamic environment
- Flexibility for individual work-related needs and preferences
- External visibility and recognition, highly positive reputation of the organization

Challenge 1: Building a Management Team

Screening and Selection

Step 1: Screening and shortlisting candidates

Applications need to undergo a first screening and shortlisting process, so that more sophisticated and time-consuming selection methods are focused only on potentially suitable candidates. The five factors of the person specification can be used for the initial screening process to identify who should be included in the actual selection process.

Step 2: Selection methods

A variety of methods can be employed to select and rank the most suitable candidates. Key criteria of method choice should be the proven validity of the approaches, that means their ability to predict workplace success, and the organization's skills and capacity to implement them in the selection process.

The methods presented here can and should be combined. For example, a first round of telephone interviews will help to clarify mutual expectations. Personal meetings can then focus on the most promising candidates and should include some form of work sampling.

Interviews

- Validity research found interviews to have surprisingly little predictive accuracy regarding work performance of the candidate, even as it remains the most widely-used tool. However, with good planning and a combination of different interviewing techniques, results can be improved.
- Interviews should be structured in a standardized way between candidates and evaluated with a systematic scoring approach.
- Advance phone-interviews can help clarify basic expectations.
- On site, schedule several interviews with different people, including group-interviews, e.g. by the Board of Directors. More informal meetings with groups of staff including future subordinates enable a 360° perspective.
- Long days on site wear off “facades” and enable a good familiarization with the candidate.

Source: Pilbeam and Corbrigde (2010), adapted

Recommended reading: www.bridgespan.org/screening-resumes
www.bridgespan.org/conducting-successful-interviews
www.bridgespan.org/sample-interview-questions

Screening and Shortlisting Check-List

	High	Med	Low
Skills, knowledge and competencies			
Personality Characteristics (where known already)			
Level of experience			
Certificated qualifications			
Development potential of the candidate			
Overall assessment			

Work Sampling

- Work sampling has potentially high validity, and the needed effort for both parties is worthwhile for senior positions.
- Elements of work sampling can be integrated into the interview in terms of more informal hypothetical questions or a formal assignment to be conducted on site within limited time and then presented for discussion.
- The assignment, which of course should be strategic in nature for senior positions, can also be communicated in advance to allow for thorough preparation in more real-life conditions.

Psychometric Tests

- Psychometric assessments consist of a questionnaire evaluation of individual personality characteristics, interpersonal style and/or work habits seen as relevant for job performance.
- They can complement other methods to provide clearer evidence of the ‘soft’ fit criteria that are vitally important in social enterprises.
- Various such assessments exist and can be purchased from specialized consultants – choice should be based on sound proof of their validity as well as the needed resources in terms of cost and effort.
- Training might be required for the person conducting the evaluation.
- It is important to maintain strict confidentiality and respect the dignity of the individual when applying psychological tests.

Challenge 1: Building a Management Team

Closing the Deal

Once a favourite candidate is selected, it can be disappointing if the offer is not accepted – often, this is not just about hard facts such as compensation and benefits. Candidates in waiting are sensitive, and feeling not well-treated can lead to a loss of interest and even bad word-of-mouth about you as an employer. It is essential to build and maintain mutual trust and respect – in other words, to try to create a “psychological contract” with each promising candidate. The good news is that it does not require a trained HR specialist to avoid some common pitfalls of communication with candidates throughout the recruiting process. Here are some simple but important rules:

1. **Application comes in:** Always send an immediate confirmation of reception that gives a rough idea of the further process and timeline.
2. **First screening is done:** Send a message to the (8-10) shortlisted candidates, with details about the process, and send a polite message to those who will not be included. It might be wise to keep a small buffer as an extended short-list.
3. **During selection:** Communicate according to your timeline. You can indicate that you have many promising candidates, but avoid seeming arrogant.
4. **Top three are selected:** Wait until the contract is signed before you let the others know they were not selected, but try to speed things up.

Successful On-Boarding

Getting a new member of the management team started needs support in three main dimensions:

- Training: Literature and/or seminars on organization-specific knowledge or for tailored skills development
- Cultural integration: Orientation on key specifics of the organization’s culture and way of working as a team
- Network building: Introduction to key internal contacts and relevant outside stakeholders

For senior management positions, the on-boarding process does not need to be rigidly steered and controlled by a superior, although the CEO should be accessible and schedule regular meetings.

Necessary support can be provided by nominating a “**buddy**” as an informal focal point for the newcomer, and by developing a **self-directed on-boarding plan**. The new manager can give input on its content and will then independently schedule the necessary appointments.

A decreasing amount of guidance should be given for the first 30-90 days. If the predecessor is staying on for a transition period, it should not be longer than 30 days before full responsibility is with the new manager.

A key success factor is demonstrated attitude and behaviour of the social entrepreneur: if the new manager is taking over some of the workload, the entrepreneur needs to prove willing to let go of prior responsibilities and not interfere unnecessarily, and to let the newcomer shine both internally and to the outside (when relevant to the position).

Challenge 1: Building a Management Team

Leadership and Talent Development

Leadership development is both a programme and a culture that needs to come from the top. The CEO, top management team and mid-level managers all need to be equipped, guided and held accountable for talent development as part of their regular job requirements and performance evaluation. Even if talented leaders might have good instincts for developing people, it should not be approached just by intuition but in a systematic manner that does not waste resources or potential.

Step 1: Needs assessment

The needs of both the individual and the organization need to be assessed on a regular basis and translated into goals for development efforts. Improvements along these needs should later serve as key criteria for evaluation development efforts.

Individual needs: Regular performance reviews and development outlook talks will reveal the potential and desire of an individual staff member for next steps in development towards a leadership position.

Organizational needs: A *succession and development plan* (→ page 39) for all current and planned senior and middle management positions will ensure you are aware of what kind of positions you will want to fill from the internal talent pool in the near and further future, and what candidates will need to bring.

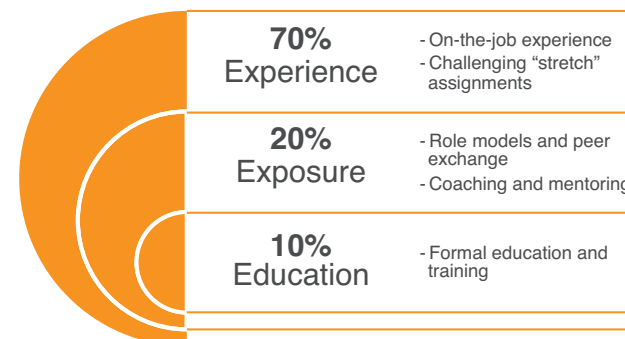
Step 2: Development efforts

Developing leaders does not mainly mean to heavily invest in expensive training. Research has found that classroom training, executive education and literature are valuable, but are only a small part of where the most effective learning takes place.

The classic **70-20-10** model illustrates the key role of on-the-job learning from challenging experiences. This mainly depends on the awareness and competence of middle and senior management to actively facilitate such learning opportunities.

Step 3: Evaluation

Development efforts need to be documented, tracked and evaluated against the goals that were defined on the basis of the individual and organizational needs assessment.



Source: 702010Forum (2014)

Recommended reading: Petrie, N. (2011). Future Trends in Leadership Development, www.ccl.org/leadership/pdf/research/futuretrends.pdf

Comprehensive free guidebook: www.bridgespan.org/plan-a-leaders

Toolkit and free self-assessment: www.bridgespan.org/leadership-development-toolkit

Challenge 1: Building a Management Team

Why Employees Leave

Voluntary employee turnover hurts the organization, as valuable inside knowledge and experience is lost, functioning teams might be broken apart, and new investments in recruiting and developing have to be made. Retaining employees and especially those at senior levels is crucial and can be triggered by good leadership as well as effectively supported by HRM tools, e.g. related to career development.

Reasons for leaving

Looking at why people leave the organization and trying to improve on these areas, it is helpful to distinguish between push, pull and personal factors as detailed below. Beyond that, it is important to be aware of factors that make people stay at the organization or in a specific position, to maintain and strengthen what works well.

Push Factors	<p>...are aspects that are experienced as problematic of the job or organization and push people to look for a new employer. These can be directly influenced and you should work actively to reduce them.</p> <p>Critical dimensions typically are:</p> <ul style="list-style-type: none">– Problems with the leadership style of the direct supervisor– Lack of career progression opportunities– Lack of opportunities to implement own ideas– Lack of training and development opportunities– A problematic work-life balance <p>Highly resource-constrained environments such as many social enterprises can create an attitude of only temporary engagement “for a good cause”, as conditions are perceived as unsuitable in the long run. This can relate to, e.g.:</p> <ul style="list-style-type: none">– Low compensation– Insufficient workplace equipment
Pull Factors	<p>...are features that are attractive in alternative employers and therefore cannot be directly influenced.</p> <p>Critical dimensions typically are:</p> <ul style="list-style-type: none">– Availability of positions that constitute career progression– Higher compensation and benefits– A more attractive location– A more attractive employer brand or industry/mission that is more interesting to the employee
Personal Factors	<p>...such as relocating with a partner or change in domestic circumstances might seem hard to influence at first.</p> <ul style="list-style-type: none">– However, for key team members, it is highly recommended to be aware of such factors and proactively work with them to try and find a solution that would not require them to leave the organization, e.g. working long-distance.

Challenge 1: Building a Management Team

Retention measures

Key team members in social enterprises are typically highly motivated, committed and loyal to their organization. However, as shown on page 33, there are many different reasons why employees decide to leave.

The boxes on the right show some tools that can help to keep track of employees' satisfaction and priorities. An overview of useful measures to increase retention is shown below.

Direct and indirect retention measures

- **Direct measures on the level of the supervisor** concern individual aspects such as coaching, mentoring, giving feedback and providing space for own ideas and solutions as well as development opportunities.
- **On the organizational level**, direct measures include e.g. investing in human resources also in times of crisis, and implementing leadership development efforts to motivate the best and most ambitious people to stay.
- **Indirect measures** relate to overall employee satisfaction and commitment through, for example, direct experience of the social impact created, an inspiring organizational culture, motivating collegial atmosphere, flexible work arrangements taking into account employee needs and preferences, and implementing survey and interview routines to further improve on critical aspects.

Regular Employee Surveys

To keep track of strong and weak areas of the employee value proposition in general, regular **anonymous employee surveys** are important. They can sometimes be conducted in partnership with a university or research centre at low cost or designed and administered in-house with free online-survey templates and tools.

One-on-one Interviews

To stay aware of specific concerns of management-level staff in particular, make sure that individual **annual performance review** meetings – as well as day-to-day interactions with the social entrepreneur – allow for open expression of any concerns they might have, and voicing suggestions and preferences for further development of their job profile and work environment.

Exit Interviews

Interviewing staff after they have resigned is also valuable at all levels, but critical for senior positions, to gain insights that are less tainted by impression management or caution to voice criticism to current supervisors.

Even if criticism by some people who have already decided to leave the organization might appear exaggerated, there will always be a grain of truth that can be used to detect problems and avoid losing further key team members for the same reasons.

Challenge 2: Delegation and Succession

Delegation Basics

Delegation of tasks and, more importantly, responsibilities, by the social entrepreneur is key to the success of a growing organization. A conducive organizational structure and environment needs to be built to allow for the heavy load of tasks and responsibilities to be distributed across the team, including a comprehensive organogram, job descriptions with clear allocation of responsibilities and defined processes for communication and decision-making.

For any highly engaged, overworked and self-sacrificing social entrepreneur, it is important to realize that appropriate delegation benefits themselves but also the team members and the organization as a whole.

- ➔ **Less workload** for the leader and more capacity for other important tasks
- ➔ **Development opportunities** for the team members and motivation from new challenges
- ➔ **Better performance** due to appropriate division of labour and avoiding bottlenecks in the organization

For any individual, direct delegation of a specific task or project, a key decision that should be consciously taken is how closely the process will be supervised. This will depend on the experience of the team member and the complexity and criticality of the task, but it is important to keep in mind that too close supervision will defeat the purpose.

It typically works well to be highly involved at the beginning of a new project and later step back to provide guidance and counseling, regularly or just on demand. For highly qualified team members, only communicate expectations regarding results, and do not unwarrantedly interfere with how they should be accomplished.

Delegation first and foremost needs to be based on trust in your team – and a certain amount of room for failure and learning from mistakes.

The 6 Questions of Delegation

What?	What needs to be achieved? What is the expected result? What difficulties can be expected along the way?
Why?	What is the purpose of the task (development, motivation, goal achievement)? What happens as a worst case if the task is not completed?
Who?	Who has the necessary knowledge and skills? Who do I want to develop by giving the task to that person?
How?	How should guidelines and prescriptions be followed? Which procedures and policies are necessary?
With what?	What resources and tools are needed? Who can support in completing the task? What else is needed (e.g. authority over people and/or budget)?
When?	When should the employee start? When should the person be finished? When will intermediate steps be reported and reviewed?

Challenge 2: Delegation and Succession

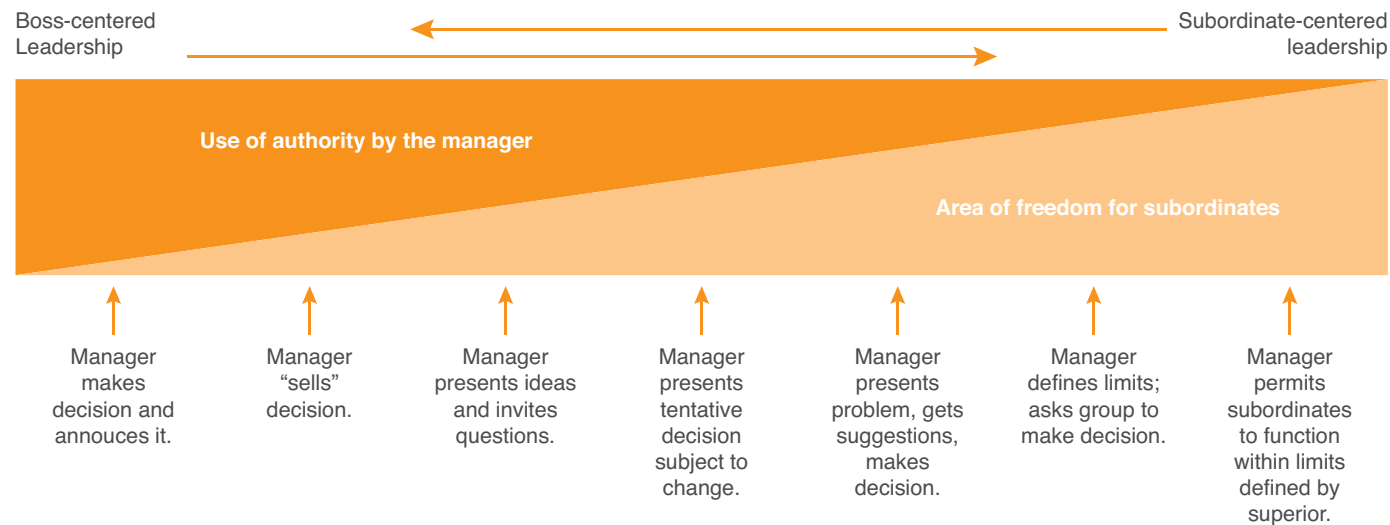
Levels of Participation

Including team members in decision-making can be seen as an aspect of delegation: taking a decision involves a range of steps such as understanding the problem and collecting information, preparing one or several proposals of action, and taking final decisions on the general course of action as well as on its detailed implementation.

With increasing levels of participatory leadership, more and more of these steps are delegated to the team. The illustration below shows the classic Tannenbaum/Schmidt continuum of leadership styles, from authoritarian decision-making to autonomous decision-making by the team.

The leadership style that is most suitable depends on the situation: on the decision to take and its context (urgency, criticality), on the team characteristics, and on the organizational context and culture.

Continuum of Leadership Styles



Source: Tannenbaum, R. and Schmidt, W.H. (1958)

Recommended reading: Tannenbaum, R., and Schmidt, W. H. (1973): How to Choose A Leadership Pattern. HBR.

Challenge 2: Delegation and Succession

Situational Leadership

The “Situational Leadership II” model provides helpful guidance on how to adapt your leadership style to the needs and characteristics of individual team members and groups of staff or followers.

Leadership behaviour can be more or less **people-oriented and supportive** on the one hand, and more or less **task-oriented and directive** on the other.

The ideal combination of these behaviours depends on the development level of followers in terms of their competence and commitment.

As shown in the illustration, a directing and command-style leadership style is most suitable for staff members with low levels of competence and commitment. With increasing levels of commitment, the model recommends a more coaching-style approach.

For followers with an intermediate level of competence and higher commitment, a supporting leadership style should show good results, while hands-off delegation is seen as most suitable for both highly competent and committed team members.



Source: Blanchard, K., Zigarmi, P., and Zigarmi, D. (2013). Based on original model on situational leadership by Hersey and Blanchard (1969).

Recommended reading: Blanchard et al. (2013). *Leadership and the One Minute Manager – Increasing Effectiveness through Situational Leadership II*

Challenge 2: Delegation and Succession

Leadership style self-assessment

Style questionnaire

Instructions: Read each item carefully and think about how often you (or the person you are evaluating) engage in the described behaviour. Indicate your response to each item by circling one of the five numbers to the right of each.

Key: 1 = Never 2 = Seldom 3 = Occasionally 4 = Often 5 = Always

1. Tells group members what they are supposed to do	1 2 3 4 5
2. Acts friendly with members of the group	1 2 3 4 5
3. Sets standards of performance for group members	1 2 3 4 5
4. Helps others in the group feel comfortable	1 2 3 4 5
5. Makes suggestions about how to solve problems	1 2 3 4 5
6. Responds favourably to suggestions made by others	1 2 3 4 5
7. Makes their perspective clear to others	1 2 3 4 5
8. Treats others fairly	1 2 3 4 5
9. Develops a plan of action for the group	1 2 3 4 5
10. Behaves in a predictable manner towards group members	1 2 3 4 5
11. Defines role responsibilities for each group member	1 2 3 4 5
12. Communicates actively with group members	1 2 3 4 5
13. Clarifies their own role within the group	1 2 3 4 5
14. Shows concern for the well-being of others	1 2 3 4 5
15. Provides a plan for how the work is to be done	1 2 3 4 5
16. Shows flexibility in making decisions	1 2 3 4 5
17. Provides criteria for what is expected of the group	1 2 3 4 5
18. Discloses thoughts and feelings to group members	1 2 3 4 5
19. Encourages group members to do high-quality work	1 2 3 4 5
20. Helps group members get along with each other	1 2 3 4 5

Scoring

The style questionnaire is designed to measure two main types of leadership behaviours: task and relationship. Score the questionnaire by doing the following: first, sum the responses on the **odd-numbered items**. This is your **task score**. Second, sum the responses on the **even-numbered items**. This is your **relationship score**.

Total scores: **Task** _____ **Relationship** _____

Scoring Interpretation

45 – 50 Very high range

40 – 44 High range

35 – 39 Moderately high range

30 – 34 Moderately low range

25 – 29 Low range

10 – 24 Very low range

The score you receive for task refers to the degree to which you help others by defining their roles and letting them know what is expected of them. This factor describes your tendencies to be **task-oriented** towards others when you are in a leadership position.

The score you receive for relationship is a measure of the degree to which you try to make subordinates feel comfortable with themselves, each other and the group itself. It represents a measure of how **people-oriented** you are.

To gain more information about your style, you might want to have four or five of your co-workers fill out the questionnaire based on their perceptions of you as a leader. This will give you additional data to compare and contrast to your own scores about yourself.

Source: Northouse, P. G. (2010): Leadership. Theory and Practice. © 2010 Sage Publications Inc. Used with Permission.

Challenge 2: Delegation and Succession

Succession Planning

In a mature governance structure, the board of directors is responsible for appointing a CEO successor. A succession plan will assist the board with this task – and if there is no strong board, it is even more critical to plan in advance to prevent a chaotic transition and detrimental power struggles at the top. Planning succession is not just about the founder and CEO. A succession plan will contain one or even several potential successors for each top-position in the organization.

Creating a succession plan

Step 1: Define the critical leadership capacities needed to fulfil your organization's mission in the next three to five years.

Step 2: Asses the potential of your staff (current and future leaders) to take on greater responsibility.

Step 3: Create a clear plan for what leadership teams within the organization will look like in three years.

Sample Potential Successors List

Key Role & Current Leader	Potential Successor(s)	Year Ready (est.)
Jane Michaels Executive Director	1. George Mendoza Program Director	2016
	2. Sarah Miller Program Director	TBD
Sarah Miller, Program Director	1. Jack Underwood Program Manager	2013
George Mendoza Program Director	1. Bianca Cruz Sr. Program Manager	2013
	2. Chris Herold Program Manager	2015
TBH 2014 Sr. Program Director	1. George Mendoza	2014
Tom Smith Chief Development Officer	1. Cynthia Reed Manager of Corporate Philanthropy	2013
	2. Sue Evans Manager of Individual Giving	2014
Ellen David HR Director	1. Melody Jackson HR Manager	2015
TBH 2012 Chief Financial Officer	1. Frank Vasquez Sr. Finance Analyst	2015
	2. Bethany Harrison Finance Analyst	TBD

Sample Succession Plan

Key Role	2012	2013	2014	Comment
Executive Director	Jane Michaels	Jane Michaels	Jane Michaels	<i>No change.</i>
Sr. Program Director	n/a	n/a	George Mendoza	<i>George should take on additional operational roles across 2012-13; if he delivers, he will move into this Sr. Program Director role in 2014, continuing to oversee the program area as well as add further organizational responsibilities to his portfolio.</i>
Program Director	George Mendoza	George Mendoza	n/a	<i>If George is promoted, this role will be replaced by the new Sr. Program Director role in 2014.</i>
Program Director	Sarah Miller	Sarah Miller	Sarah Miller	<i>No change.</i>
Chief Development Officer	Tom Smith	Cynthia Reed	Cynthia Reed	<i>Cynthia should use 2012 to build her skills with corporate and foundation donors, and implement a development metrics dashboard; if she delivers, she will be ready to move into the CDO role.</i>
HR Director	Ellen David	Ellen David	Ellen David	<i>No change.</i>
Chief Financial Officer	to hire in 2012	to hire in 2012	to hire in 2012	<i>TBD - This will likely be an external hire, due to the junior finance team.</i>

Source: The Bridgespan Group. Used with Permission.

Recommended reading: [Recommended reading: www.bridgespan.org/leadership-development-toolkit](http://www.bridgespan.org/leadership-development-toolkit)

Challenge 2: Delegation and Succession

Protecting the Mission

Succession of the founder(s) in a social enterprise that is incorporated as a business is not just about the right skills and culture. A main concern many founders have is how to protect the organization from mission drift in terms of compromising on the original vision for economic success. In addition to ingraining the mission in the culture and identity of the organization, the textbook approach is to create governance structures designed to rigidly safeguard the mission. It is critical to think about and implement this early on – once outside investors are engaged and have earned a right to sit on the board and co-shape the organization's strategy, it might be too late to install guidelines that could compromise their financial interests.

Governance Models

Controlling body within the organization

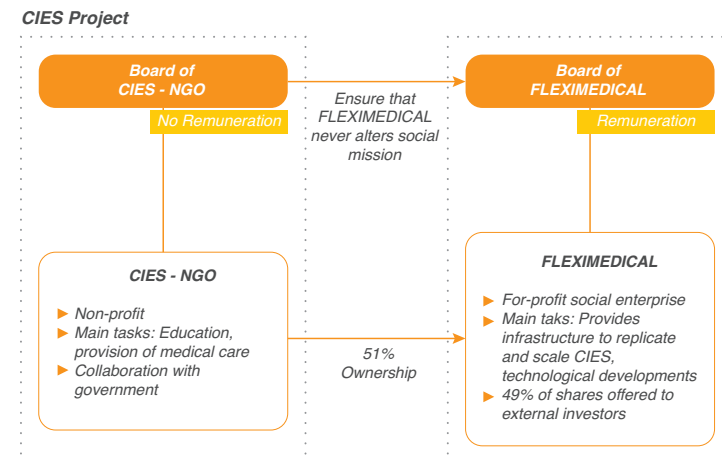
- Strong board of directors able and mandated to safeguard the mission

Placing organization under external control

- Non-profit wing of the organization owning and controlling the for-profit entity
- Transferring majority of shares in the business to a foundation specifically created to serve and protect the mission of the organization

Hybrid organizational models

Example: Projeto CIES has created a “hospital in a truck” that has offered over 100,000 people in 28 Brazilian cities technology for 10 medical specialties



Organizational Culture

- Openly and regularly discuss mission-related questions and potential trade-offs within the core team to ensure transparency of arguments and strategic alignment
- Get the whole organization behind the mission through communication and awareness raising
- Emphasize cultural and mission fit in hiring decisions and support cultural integration and mission alignment

Performance Guidelines

- Especially for senior management, including CEO and CFO:
- Integrate mission-related goals into explicit performance expectations
 - Ensure that compromising the mission can serve as a contractual reason for a termination of contract
 - Draft clear guidelines for how to balance the social versus financial objectives of the organization

Source: Schwab Foundation Governance Manual (2012)

Recommended reading: Schwab Foundation (2012): *The Governance of Social Enterprises*

Challenge 3: Balancing and Integrating Managing Your Time and Energy

A key leadership insight is that the most valuable assets you have are your own time and energy, and it is critical to invest some time and thought into ensuring you allocate them in the most effective way.

The famous **Eisenhower matrix** helps to consciously face the key challenge of creating space for important work in a clutter of urgent tasks trying to eat up your time. However, the trick here lies in defining what is important to you. Look at your organization's true needs: what are your key income sources, strategic priorities, etc., and what is most important to achieve your core goals.

Another useful perspective of looking at your time is from your own **strengths** – to make sure you spend most time on what you can do best and/or nobody else in the organization can do (better) – and your **personal preferences**, to make sure you spend time on what you actually like to do and what brings up your motivation and energy levels.

You can also square your preferences in a similar way with the analysis of whether a specific tasks **needs to be done by you**. This can be the case because there is nobody else with the skill or ability, because of legal duties such as related to a CEO role, or because of representative duties as the public face of your company.

Another classic that is often recommended is the **Getting Things Done** system that can serve as inspiration or be fully implemented as a workflow system complete with all-aligned office set-up and software applications.

	Urgent	Less urgent
Important	Urgent and important <ul style="list-style-type: none"> – Unexpected crises – Key deadlines – Key meetings → IMMEDIATELY do yourself	Important, but not (yet) urgent <ul style="list-style-type: none"> – Key projects – Strategic planning – Health and family → PLAN time to do yourself
Less important	Urgent and less important <ul style="list-style-type: none"> – Technical crises – Other deadlines – Other meetings → DELEGATE and shift remaining own involvement to less productive time	Not important and not urgent → Do NOT WASTE TIME on these

Eisenhower matrix

	Like to do	Don't like to do
Can do very well	“Your way to success” Your unique contribution to your organization. These tasks should make up at least 60% of your time – the more, the better	“Necessary evils” Delegate or try to change your attitude, and keep at maximum 25% of your time, if possible
Cannot do very well	“Guilty pleasures” If they are not too important for your success, keep some of them that make you happy, but limit to maximum 20% of your time – and do consult with experts	“Help wanted” Try to find the resources to delegate or outsource to competent others; find a way to automate the tasks, or delete if not important

Strengths and preferences matrix

Source: Lancaster (2012), adapted

Recommended reading: [Shortcut Summaries](#). (2012). *Getting Things Done: A Time Saving Summary of David Allen's Book on Productivity*

Challenge 3: Balancing and Integrating From Autocratic To Collective Leadership

In a common, vertical leadership model, it is the task and responsibility of the leader to integrate all the differing or even conflicting perspectives of followers or other stakeholders. Approaches of collective leadership such as democratic, consensus or consent decision-making shift this weight from one specific person towards a process designed to leverage collective intelligence and to take into account the needs of all affected parties.

Decision-making system	Advantages	Disadvantages
Autocratic Leader is taking decisions, free to consult followers or not	Fast decisions, effective and powerful	Excluding others from decision-making and loss of their potentially valuable contributions; Discouraging follower participation and de-motivating; Dominating and potentially abusive
Majority vote Democratic decision-making by vote	Including more perspectives and knowledge; Higher legitimization of results and more buy-in from affected parties; Fairness and transparency	Slower processes; Important minority perspectives can be neglected; Danger of short-sighted decisions, populism and tactical coalitions to ensure re-election
Consensus Everyone contributes and fully agrees	High buy-in, pooling of information; High motivation, low hierarchy; Embracing and leveraging diversity	Often slow and ineffective; Individual opinions and ego can block progress; “Tyranny of consensus”
Consent Proposal is accepted if there is no valid/grave objection	Integration of key perspectives as in consensus but without most of the disadvantages, especially when clear process guidelines are applied	Requires a clear goal or purpose for the organization or group as a whole, enabling clear guidelines on what kind of objections are considered as valid for the group

Source: Wittrock (2012), adapted

Recommended reading: www.sociocracy.info/what-is-sociocracy

Challenge 3: Balancing and Integrating Integrated Decision-Making Process

A specific process for consent decision-making, the “Integrative Decision-Making Process” presented here is part of the organizational model and set of tools called Holacracy®.

Based on the sociocratic method of organizing in circles and deciding through consent, Holacracy® aims to provide a comprehensive set of governance systems, rules and procedures for a highly effective organization that applies the principles of dynamic self-governance and uses the full potential of its members.

To create a fast and effective process for consent decision-making, it is essential that the overall purpose of the group or organization is clear, and guidelines are derived from this to define what should be counted as a “valid” objection to a proposal. To raise a valid objection, there needs to be a clear argument why a given proposal would threaten or impede progress towards the overall purpose of the organization. Additional criteria can be defined, such as ruling out objections that are based on mere speculation about potential future problems – in a dynamically governed organization, agreements can be changed whenever such future problems would actually arise.

Step 1: Present proposal

Who speaks: Proposer only, unless help is requested

The proposer has space to describe a tension and state a proposal to resolve it, with no discussion. The proposer can optionally request discussion just to help craft a proposal, but not to build consensus or integrate concerns.

Step 2: Clarifying questions

Who speaks: Anyone asks, proposer answers; repeat as needed

Anyone can ask a clarifying question to seek information or understanding. The proposer can respond or say “not specified”. No reactions or dialogue allowed.

Step 3: Reaction round

Who speaks: Everyone except proposer, one at a time

Each person is given space to react to the proposal as they see fit; reactions must be made as first or third person comments. No discussion or responses.

Step 4: Amend and clarify

Who speaks: Proposer only

The proposer can optionally clarify the intent of the proposal further or amend the proposal based on the reactions, or just move on. No discussion is allowed; the facilitator cuts off any discussion or comments by anyone other than the proposer.

Step 5: Objection round

Who speaks: Everyone including proposer, one at a time

The facilitator asks each person in turn: “Do you see any reasons why adopting this proposal would cause harm or move us backwards?” (an “objection”). Objections are stated, tested for validity and captured without discussion; the proposal is adopted if none surfaces.

Step 6: Integration

Who speaks: Mostly objector and proposer; others can help

The goal is to craft an amended proposal that would not cause an objection, but that would still address the proposer’s tension. Focus on each objection one at a time. Once all are integrated, go through another objection round.

Source: ©2013 HolacracyOne, LLC — Creative Commons BY-NC-ND 3.0

Recommended reading: www.holacracyone.org/resources

Challenge 4: Personal and Professional Development

Most Helpful Resources

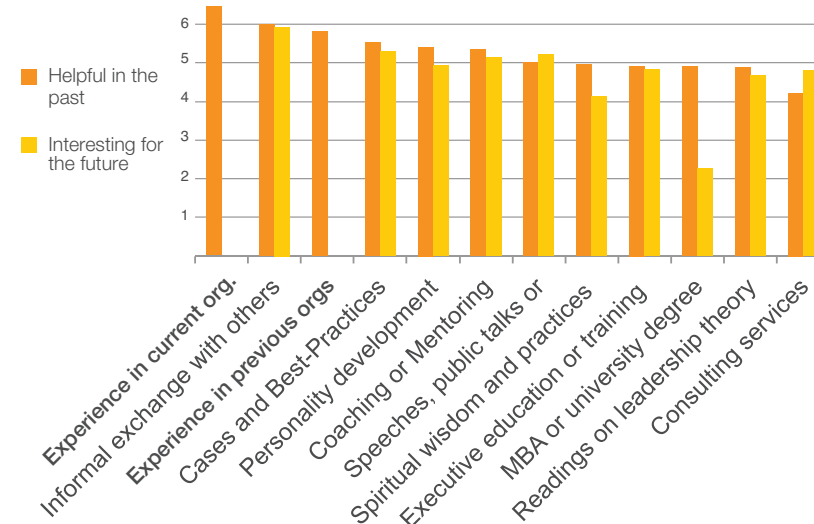
According to Schwab Social Entrepreneurs answering the global survey, work experience in their current organization and at prior engagements was what helped them most to face leadership challenges. This supports the 70-2010 model for leadership development presented on page 32, which emphasizes practical experience. In terms of outside help or additional learning, the following three helpful resources for leadership challenges also rank highest among how they would like to be supported in the future:

1. Informal exchange with other leaders, consultants or social entrepreneur peers
2. Cases and best-practice examples
3. Coaching or mentoring

Less hands-on resources such as **literature** on leadership theory and skills, or **speeches and lectures** were rated as less helpful. Still, there was significant interest in, for example, future support to attend speeches and lectures.

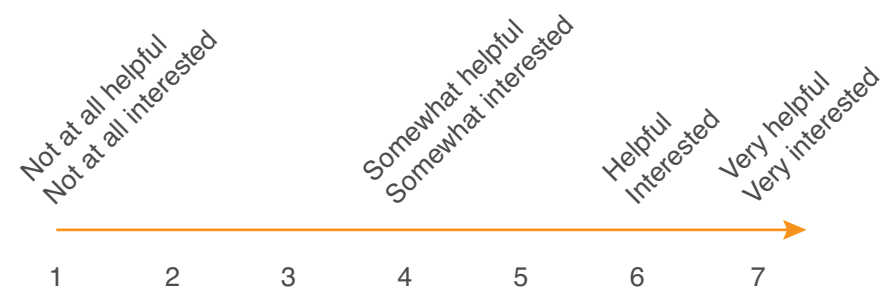
The greatest difference between past experience and future interest concerns formal university education such as **MBA programmes**. While considered as helpful in the past, there was very low interest expressed in future support.

On the contrary, more than half of the Schwab Social Entrepreneurs were interested or very interested in receiving support to participate in **executive education** in the future.



Response Options

In answering the survey, the participants had several options on a Likert scale from 1 to 7. The meanings are shown below.



Challenge 4: Personal and Professional Development

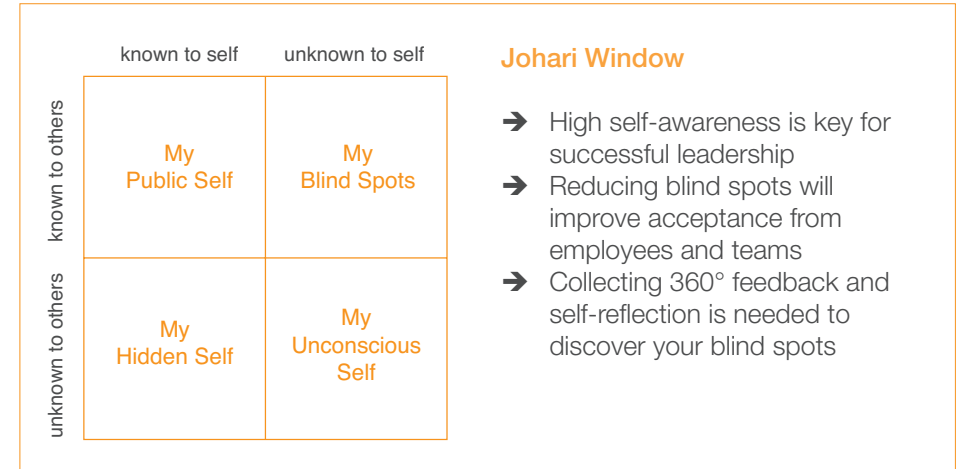
Setting Personal Development Goals

Unfortunately, there is no turnkey way to personal development. Improving self-leadership needs to be steered just as proactively towards a specific vision as the leadership of an organization and/or social movement.

The essential starting point is to become more aware of your inner context, potential and challenges. Discovering “blind spots” and translating them into development opportunities is the key message of classic concepts such as the **Johari Window**.

There are many ways to analyse your status quo and identify room for improvement. **The 7 Habits of Highly Effective People** is another classic that was recommended in many interviews, and social entrepreneurs also reported a revealing effect of the **Wheel of Balance** exercise.

However, do not focus only on apparent problems and weaknesses, but appreciate your strengths and talents, and build on whatever works well for you.

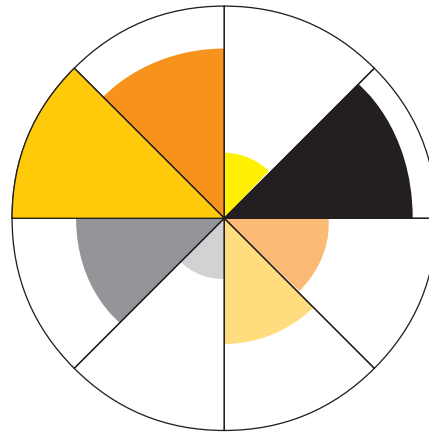


Wheel of Balance

- Coaching tool to identify areas in your life needing more attention:

 1. Define up to 10 key areas in your life or roles that apply to you
 2. Evaluate your satisfaction level on a scale from 1 to 10
 3. Set a desired satisfaction level for each area
 4. Analyse differences to create your goals and roadmap
 5. Write down clear measures for each goal and track your progress

- Free templates available online, for example at www.mindtools.com



The 7 Habits of Highly Effective People

- Original book introduces seven “habits” to improve self-leadership and productive relationships:

 - Habit #1: Be Proactive®
 - Habit #2: Begin with the End in Mind®
 - Habit #3: Put First Things first®
 - Habit #4: Think Win-Win®
 - Habit #5: Seek first to understand, then to be understood®
 - Habit #6: Synergize®
 - Habit #7: Sharpen the Saw®

- A Personal Workbook includes self-assessments as well as step-by-step guidance and exercises

Source: Covey (2004)

Recommended reading: Covey, S. R. (2004). *The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change*. Covey, S. R. (2003). *The 7 Habits of Highly Effective People: Personal Workbook*; Mindtools (2014). *The Wheel Of Life*, www.mindtools.com/pages/article/newHTE_93.

Challenge 4: Personal and Professional Development

Personal Development Toolbox

Engaging in personal/leadership development seminars will help you to start compiling a **personal toolbox** of exercises and practices to support you. Pick and choose according to your preferences and needs, but make sure to cover the four fields of body, mind, spirit and the social/emotional sphere. Stay open and try out new things – and then make sure to integrate what works best for you into your routines.

Examples of personal development tools

Coaching is a classical and effective way to get personal feedback and tailored advice.

Especially more senior leaders can take great advantage of regular professional coaching to uncover remaining blind spots after years of successful practice, or identify the need to change previously suitable strategies or attitudes. Such coaching sessions, however, must not be (mis)understood as the main or only time to dedicate to personal development, but merely as interim reflection points and as a source of new impulses along your self-guided trail.

Peer-coaching can also be a valuable approach to get free advice from those who know your situation best: other social entrepreneurs or leaders with similar challenges. Ideally, there should be regular meetings among a more or less fixed group of leaders. You can consult a professional coach in the beginning for advice on how to best structure these meetings.

Personal retreats for reflection can be an important tool and should be just as natural as your annual team retreat.

Reserve some time by yourself, for example near the end of the year or around your birthday; go through your diaries or look back at your goals a year ago, your achievements and unexpected events during the year, and emergent themes for the upcoming months and years. Stop, reflect and move on with renewed clarity and purpose.

Mindfulness practice can help you to develop calmness and clarity of mind, and real presence in the moment.

An increased awareness of both complex outer realities and your true inner voice will serve as a basis for great leadership of yourself and others. Commonly linked mainly to Buddhist traditions, mindfulness can be pursued through meditation or similar practices rooted in many different cultural and spiritual traditions.

Theory U – “Leading from the future as it emerges”

In his work on Theory U, Otto Scharmer speaks of the “inner place” from which a leader operates as the common “blind spot” of leadership.

To explore this place, the U-Process takes a person or group through five fundamental movements, from observing down into the inner world and back to the outside for prototyping and inspired, creative action. The U-Process can be applied to both personal and facilitated leadership development.

Recommended reading: Jon Kabat-Zinn, *Wherever You Go, There You Are. Mindfulness Meditation in Everyday Life.*

Scharmer, C.O. (2009) Theory U – Executive Summary, www.presencing.com/sites/default/files/page-files/Theory_U_Exec_Summary.pdf

GIZ (2013): AIZ Leadership Toolbox – Leadership for Global Responsibility, www.giz.de/akademie/de/downloads/giz2013-de-aiz-toolbox-leadership-development.pdf

4. Survey Results

To make this manual both practically relevant and methodologically rigorous, many successful social entrepreneurs were interviewed for their stories of leadership challenges, and 30% of the social entrepreneurs in the Schwab Foundation network completed a global survey on leadership challenges in 2013. As this sample has the same basic characteristics as the full group of Schwab Social Entrepreneurs in terms of, for example, distribution of gender and geographic region, the results are assumed to be applicable, with due care, to the full group of Schwab Social Entrepreneurs and can be indicative of key characteristics of mature and successful social entrepreneurs worldwide. Furthermore, senior executives of social enterprises whose founder/CEO participated in the survey were asked about their perception of their social entrepreneur's leadership behaviour.

The Typical Schwab Social Entrepreneur

Social entrepreneurs are certainly no homogenous group. As stated in the *Global Entrepreneurship Monitor (GEM) Report on Social Entrepreneurship*, for example, there are few consistent characteristics among social entrepreneurs. However, as the Schwab Foundation selects its fellows

according to unifying principles, the results of the global survey of leadership challenges reveal the most common characteristics of social entrepreneurs and their enterprises in the Schwab community.

According to the study, the "typical" Schwab Fellow is between 42 and 65 years of age (76.2%), the founder (88.9%) and CEO (53.3%) of the organization, and has a master's degree (38.9%). While social entrepreneurs in Africa are generally younger, their counterparts in Latin America are older than the average. Male social entrepreneurs also tend to be younger, accounting for 85% of social entrepreneurs between 30 and 41 years (see figure 3).

Comparing these results to the results of the *GEM Report on Social Entrepreneurship* (2011) and the *GEM 2013 Global Report* shows that social entrepreneurs generally seem to be several years older than commercial entrepreneurs on average, and Schwab Social Entrepreneurs have again a significantly higher average age. This is not too surprising as they lead mature organizations when selected by the Schwab Foundation. Accordingly, their typical social enterprises are considerably older, with an age of 10 to 19 years (42.9%) and employed between 26 and 100 people (50%) in 2012 (see figure 4).

Figure 3: Age of Social Entrepreneurs; Schwab Foundation Survey Results

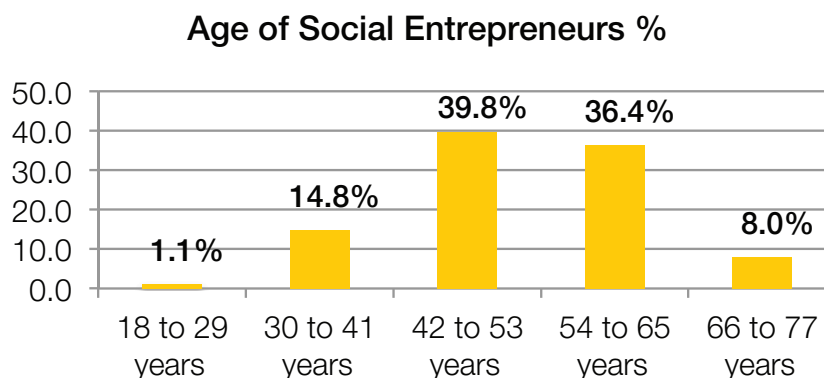
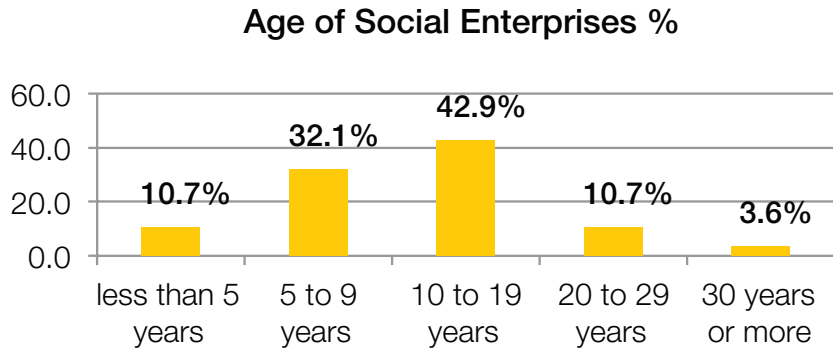


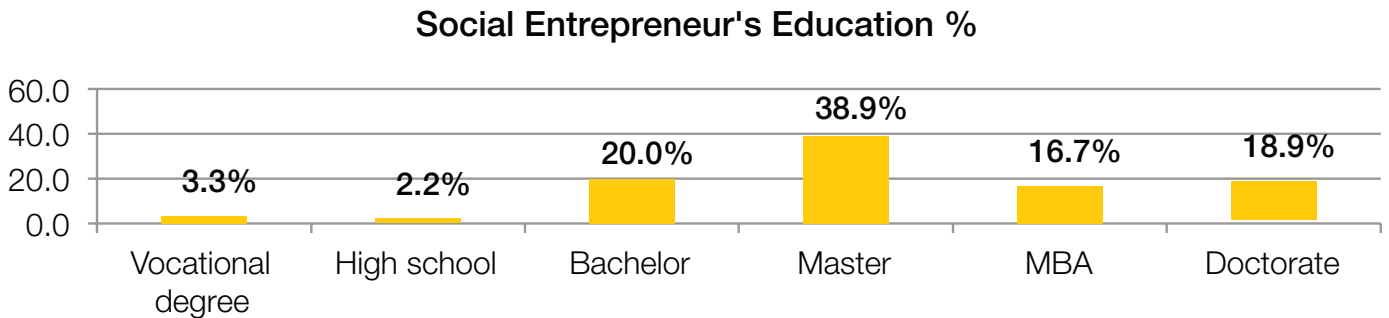
Figure 4: Age of Social Entrepreneurs' Organizations; Schwab Foundation Survey Results



The maturity of the Schwab Social Entrepreneurs is also reflected in their work experience and education. Almost 75% of social entrepreneurs reported 11 or more years of experience in a leadership position and approximately 50% reported 11 or more years of work experience in social enterprises or non-profit organizations. Of the Schwab Social Entrepreneurs, 36.7% have 11 or more years of work experience in for-profit organizations, while the majority of entrepreneurs (55%) have no prior work experience in governmental or public organizations. While 38.9% of Schwab Social Entrepreneurs have a master's degree, 16.7% have completed an MBA and 18.9% have a doctorate degree (see figure 5). Concurring with the *GEM Report on Social Entrepreneurship*, the results suggest that individuals with higher levels of education are more likely to engage in social entrepreneurial activity.

The *GEM Report on Social Entrepreneurship* shows that while male entrepreneurs are generally more likely to start a social enterprise than women, the social entrepreneurship gender gap is not as high as in commercial entrepreneurship. However, the ratio varies across countries. In this study, Latin America has the highest proportion of female social entrepreneurs (45%), while Europe and the Middle East have the lowest (both 20%). Also, while female social entrepreneurs enjoy higher levels of education, accounting for 53% of Schwab Social Entrepreneurs with doctorate degrees, the general level of education is high among social entrepreneurs, with almost 75% having a master's or higher degree.

Figure 5: Education of Social Entrepreneurs; Schwab Foundation Survey Results



While the *GEM Report on Social Entrepreneurship* reports on different social entrepreneurial activities from their nascent stage to established social enterprises, the global survey focused on Schwab Social Entrepreneurs who are selected for having successfully established a social mission-driven organization and developed it well past its start-up phase. These organizations can take different forms, such as leveraged non-profit entities relying on philanthropic funding, for-profit social businesses, or hybrid non-profits including some degree of cost recovery. Similar to the distribution among the entire group of Schwab Social Entrepreneurs, the most common type of organization among the respondents is the hybrid non-profit type with 53.3%, while leveraged non-profits come in second with 26.1% and social businesses account for only 20.7% of organizations (see figure 6).

While social entrepreneurs in leveraged non-profits have less for-profit work experience, social entrepreneurs in social businesses have less work experience in non-profit organizations and as volunteers. In contrast to the finding of the *GEM Report on Social Entrepreneurship* that states that non-profits are more common in developed countries such the US and Europe, social businesses dominate among the organizations of European Schwab Social Entrepreneurs.

The reported number of volunteers varies greatly between none (21.4%) and more than 1,500 (10.7%), as shown in figure 7. While enterprises that grew strongly in the past have more employees, they do not necessarily have more volunteers. Leveraged non-profits have more volunteers than other types of organizations, as they usually have fewer resources to pay for employed staff.

Figure 6: Organizational Models of Social Entrepreneurs; Schwab Foundation Survey Results

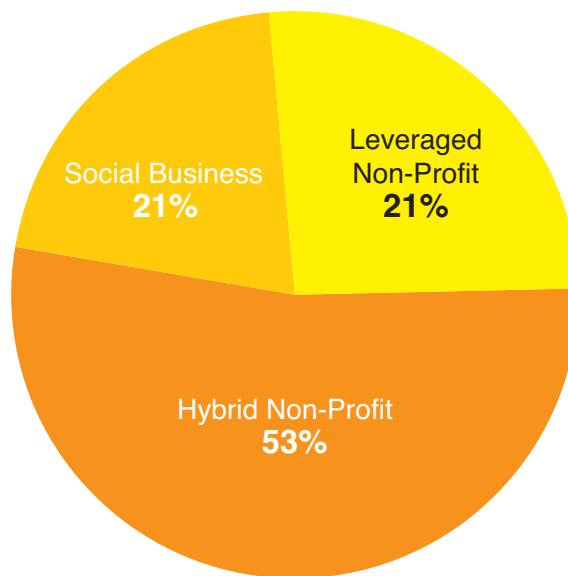


Figure 7: Number of Staff and Volunteers; Schwab Foundation Survey Results

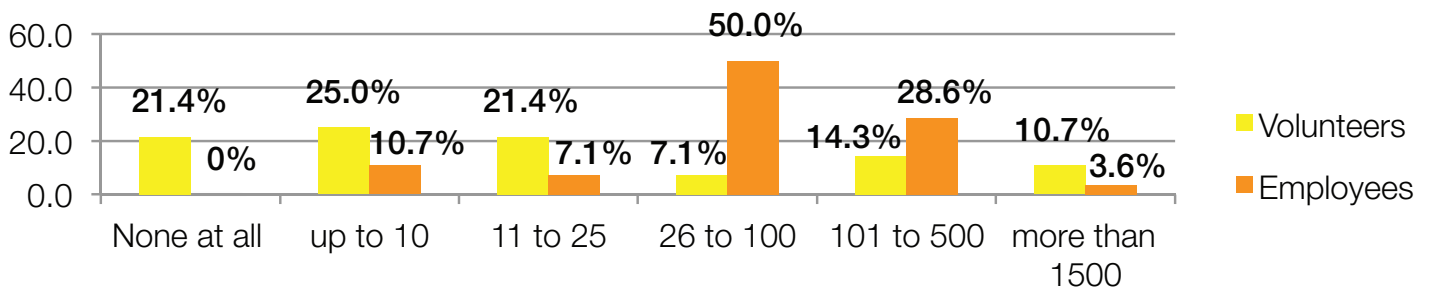
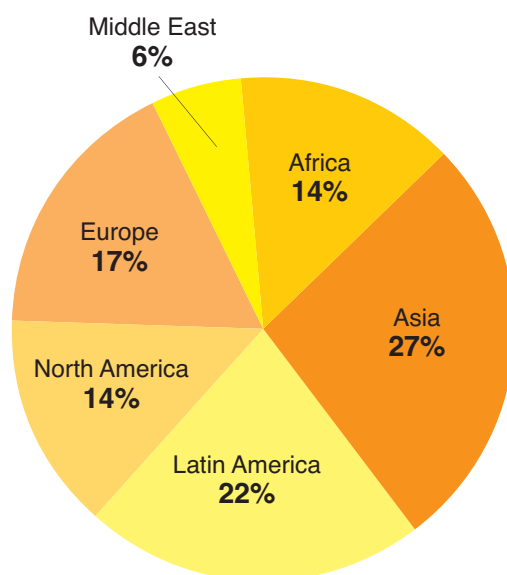


Figure 8: Regional Composition of Social Entrepreneurs in the Survey



Schwab Social Entrepreneurs have their headquarters in a range of regions in the world, with Asia and Latin America being the home for approximately half of the organizations in the sample (see figure 8).

Leadership Styles and Follower Characteristics

Almost all of the responding followers work as senior managers (approximately 60%) or middle managers in the social enterprise. About 50% of the employees have been working with the entrepreneur or the organization for more than six years. Compared to the Schwab Social Entrepreneurs, their team members are younger, with more than half under the age of 40, and are more often females (41% of followers versus 39% of the entrepreneurs).

However, they are equally well educated, with the majority having a master's, MBA or doctorate degree, although employees from Africa reported lower degrees of education. Employees in North and Latin America are older, while employees in Asia are younger than the average. Consistent with the large proportion of females among the Schwab Social Entrepreneurs in Latin America, their employees are also more often female compared to the employees in other regions. While almost 80% of the respondents report directly to the social entrepreneur, only around one third have a close personal relationship with the Schwab Social Entrepreneurs by being a family member, spouse or close friend. Employees who have worked longer with the entrepreneur or the organization more often report to have a close personal relationship to the entrepreneur.

Leadership Styles of Social Entrepreneurs

Table 1: Leadership Styles of Social Entrepreneurs; Schwab Foundation Survey Results, Responses = N

Leadership Behaviour	N	Range	Mean
Ethical	147	1-7	6.0
Transformational/ Entrepreneurial	150	1-7	5.9
Transformational/Team cohesion	158	1-7	5.9
Empowering/ Problem solving and responsibility	156	1-7	5.8
Transactional/Positive feedback	154	1-7	5.5
Empowering/Self- development and self- rewards	149	1-7	5.5
Empowering/ Joint performance agreements	156	1-7	5.1
Transactional/Negative feedback	154	1-7	4.9
Transactional/Material rewards	151	1-7	4.4
Autocratic	150	1-7	2.8

The survey found that, according to their direct followers, i.e. key team members, Schwab Social Entrepreneurs across the board score very high in ethical leadership, transformational leadership and empowering leadership, with means ranging from 6 to 5.15 out of a maximum of 7 points. In contrast, the often less desirable autocratic leadership was least represented, with only 2.7 out of 7 points, on average. The middle ground (4.4-5.5 out of 7) was taken by the different aspects of transactional leadership behaviour. See chapter 1 for further interpretation of these and the following results.

Attitude of Key Team Members of Social Entrepreneurs

Table 2: Key Team-Member Attitudes; Schwab Foundation Survey Results, Responses = N

Follower Attitude	N	Range	Mean
Intrinsic motivation	122	1-7	6.5
Organizational commitment	122	1-7	6.3
Satisfaction with job contents	122	1-7	6.2
Satisfaction with own competence and people	122	1-7	6.1
Intention to stay	122	1-7	5.6

The direct reports and team members of the Schwab Social Entrepreneurs consistently reported very high levels of intrinsic motivation, job satisfaction, commitment to the organization and intention to stay with the organization, with means ranging from 5.6 to 6.5 out of 7 points.



The Key Leadership Challenges

Key Challenge #1 - Building a Management Team

Statement	Average (1-7)	Responses 1-7 (in %)	Strong Challenge
Building a professional senior management team	4.87		64.4%
Developing a strong and competent middle management	4.81		61.6%
Attracting highly skilled senior managers to our organization	4.95		61.1%
Recruiting senior managers who fit our culture and leadership style	4.99		60.5%
Supporting promising staff to become ready for senior management positions	4.43		52.3%
Recruiting senior managers who are fully behind our mission	4.52		51.1%
Keeping talented and ambitious staff in the organization	4.28		46.7%
Keeping good senior managers in the organization	3.99		39.9%

Key Challenge #2 – Succession and Delegation

Statement	Average (1-7)	Responses 1-7 (in %)	Strong Challenge
Developing a plan for my succession	4.24		46.2%
Leaving operative decisions to my management team	3.41		28.6%

Key Challenge #3 – Balancing and Integrating

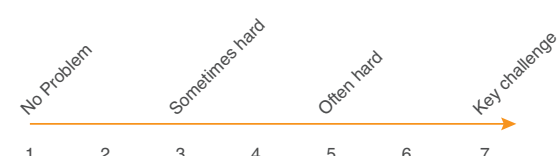
Statement	Average (1-7)	Responses 1-7 (in %)	Strong Challenge
Balancing responsibilities in my (main) organization with e.g. speaking engagements, research and advocacy work	4.09		41.8%
Focusing on the work that best fits my strengths	3.76		37.7%
Focusing on the work I enjoy most	3.61		37.4%
Balancing conflicting stakeholder interests	3.94		34.8%

Key Challenge #4 – Personal and Professional Development

Statement	Average (1-7)	Responses 1-7 (in %)	Strong Challenge
Developing my own management skills to suit my organization's needs	3.63		31.9%
Developing my own leadership style to suit my organization's needs	3.54		31.1%

Response Options

In answering the survey, the participants had several options on a Likert scale from 1 to 7. The meanings are shown below.



Glossary

Annual performance review

Yearly meeting between employee and supervisor to review the employee's performance and set new goals

Board/Board of directors

The governing board controls and/or provides support to the executive committee [cf. Schwab Foundation Manual on Governance, 2010]

CEO

Chief executive officer; head of an organization who typically bears overall responsibility for its success and acts as representative of the company

CFO

Chief financial officer; responsible for the financial management of the organization

COO

Chief operating officer; while the CEO typically manages the organization's strategy, the COO coordinates operative business (processes) including human resources

Organizational culture

The organization's way of doing business, communicating and working together

Employee value proposition (EVP)

Package of attractive features of the organization as an employer and workplace

Employer branding

Strategy to promote the employee value proposition to potential and current employees to attract new talent and keep existing members of the organization on-board

Executive education

Education for experienced professionals (senior managers) to shape leadership and management skills

Fundraising

Process of collecting donations from individuals or institutions

For-profit company

Organization that does business with the main goal to generate profits for its owners/investors

Governance/Governance structure

System that provides a structure of decision-making and control within an organization [cf. Schwab Foundation Manual on Governance, 2010]

Human resource management

Function or department of an organization in charge of people as a valuable asset of the company – managing recruiting and termination, personnel issues, employee training and development, etc.

Hybrid structure

Synthesis or combination of legal entities and/or organizational types from the commercial and civil society sector

Leadership development

Programme or activities to develop leadership abilities of employees or members of the organization

MBA

Master of Business Administration; academic degree in business

Middle management

Management level that is typically located below the CEO and the senior management level

Non-profit organization

Organization that operates without the primary goal of generating and distributing profits

Retention

Keeping employees or members with the organization

Schwab Social Entrepreneurs

Social entrepreneurs selected as successful examples and role models by the Schwab Foundation for Social Entrepreneurship

Senior management

Management level that is typically located directly below the CEO level

Social entrepreneurs/Social entrepreneurship

Social entrepreneurs drive social innovation and transformation in various fields including education, health, environment and enterprise development. They pursue poverty alleviation goals with entrepreneurial zeal, business methods and the courage to innovate and overcome traditional practices. A social entrepreneur, similar to a business entrepreneur, builds strong and sustainable organizations, which are either set up as non-profits or companies.

(Social) mission

States the fundamental purpose of the organization, describing how it works to achieve or contribute to its (social) vision

(Social) vision

Ideal future state of the local or global society, environment, and/or economy, which constitutes the overarching goal of founding a social enterprise

Stakeholder groups

Internal or external group of individuals who are directly or indirectly affected by the organization's actions and/or can affect the organization

Venture

Synonym for enterprise

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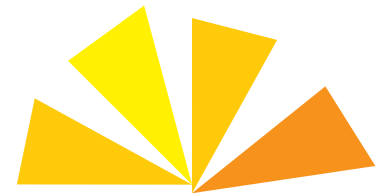
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