

TROPMAN REPORT

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RECRUITMENT AND RETENTION OF MANAGERIAL TALENT: *Current Practices and Prospects for Nonprofits in Pittsburgh*

OVERVIEW

Many nonprofits in the Allegheny County region report problems in attracting and retaining top-quality professional staff. In response to those concerns, Carolyn Ban, Dean of the Graduate School of Public and International Affairs, Alexis Drahnak, and Marcia Towers assessed the severity of the problem and looked at "best practices" used by local nonprofits to meet this challenge.

RESEARCH DESIGN

Ban and her colleagues began by conducting two focus groups with executive directors or HR directors responsible for hiring in local human service and community development nonprofits. They then individually interviewed 30 nonprofit leaders in order to answer the following questions:

- How do small to mid-sized nonprofits manage the human resource function?
- How severe are the problems facing nonprofits in hiring and retaining professional staff?
- What are some best practices that nonprofits have used successfully to hire and retain professional staff?
- What motivates people to work for human service and community development nonprofits and how can managers shape their policies and programs to be more attractive as employers?

FINDINGS

ORGANIZATION OF THE HR FUNCTION:

There was wide variation in how nonprofits staffed the HR function. None of the smaller organizations (under 40 employees) had dedicated HR staff; rather, the executive director or deputy director typically managed HR. This makes sense when staff is small and there is little turnover, but it does mean that those handling HR have rarely had formal training and may lack knowledge of current HR practices. What was more surprising was that even among mid- to large-sized organizations (40 or over), one-third of the agencies studied did not have a dedicated HR staff. Some agencies outsourced all or part of their HR function, and others relied on board members or informal external consultants for HR expertise, but many wanted more information on successful strategies for hiring and retention.

RECRUITING AND HIRING:

Contrary to expectation, few managers reported serious problems in hiring and retaining professional staff, and most, particularly those in the larger agencies, were satisfied with the quality of their staff. Nonetheless, many report difficulties finding candidates for specific positions, especially in information management and development.

THE FORBES FUNDS

Envisioning Pittsburgh's nonprofit sector as innovative, informed, and engaged, The Forbes Funds advance capacity-building within and among the region's nonprofit organizations.

THE COPELAND FUND FOR NONPROFIT MANAGEMENT

The mission of The Copeland Fund for Nonprofit Management is to strengthen the management and policymaking capacity of nonprofit human service organizations to serve better the needs of their communities.

- Management Enhancement Grants
- Emergency Grants
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THE TROPMAN FUND FOR NONPROFIT RESEARCH

The mission of The Tropman Fund for Nonprofit Research is to support applied research on strategic issues that are likely to have profound effects on nonprofit management and governance, especially among human service and community development organizations.

- Applied Research Projects
- Annual Research Conference

THE WISHART FUND FOR NONPROFIT LEADERSHIP

The mission of The Wishart Fund for Nonprofit Leadership is to encourage pioneering nonprofit leadership by promoting public learning and discussion about issues critical to ethical and effective management, as well as by celebrating exemplary practices.

- Leadership Roundtables
- The Frieda Shapira Medal
- Alfred W. Wishart, Jr., Award for Excellence in Nonprofit Management

Recruitment Tools

Newspaper	80%
Word of Mouth	73%
Professional Associations	26%
Internal job posting	20%
Internet	20%
Email networking	16%
Consultant	13%

Managers took two divergent approaches to employee turnover.

- Some organizations hire only at the junior level with the advance expectation that those hired will not make a career with the organization. These organizations resign themselves to the fact that their professional staff will rotate out of the organization after a few years in search of more challenging responsibilities and higher pay.
- Other organizations prefer to make a long-term commitment to their employees, investing in professional development and reasonable salary and benefit packages, reflecting a commitment to “grow from within.”

To read the full text of this study, log onto The Forbes Funds’ web site at (www.forbesfunds.org).

Two other expectations were that larger nonprofits would use more formal and sophisticated search techniques and would have fewer hiring and retention problems. Neither turned out to be completely true. Regardless of size, most nonprofits reported relying primarily on newspaper ads and word of mouth to recruit professional staff. These two approaches have three things in common: they are relatively inexpensive, they are “low-tech,” and they reach only a local or regional labor pool. Larger organizations were somewhat more likely to use professional associations to spread the word about vacancies, but only a small number of organizations (regardless of size) used the Internet or e-mail. This is surprising given that those who do use these methods report positive outcomes. An even smaller number utilized outside consultants. The less-used recruitment methods are those most likely to attract candidates from outside the region.

Interviewees also emphasized the importance of making the right selection and of carefully checking references prior to hiring in order to ensure hiring “square pegs for square holes.”

RETENTION AND TURNOVER:

As with recruiting and hiring, turnover and retention were sometimes viewed as a problem, but hardly a crisis. Most focus group participants and individuals interviewed saw turnover at the professional level as low in comparison with the turnover rate at the direct service level. Many managers understood that turnover is not always a negative for the organization. Bringing new blood, new energy and new vision to the organization were seen as the positive effects of turnover. Viewed as negative were the disruption to service delivery, the impact on programs and the time and energy spent on the recruitment and selection process. Several organizations in the study reported sweeping turnover at the professional level upon the arrival of a new executive director. Those who reported this felt it was on balance a good thing for the organization.

The literature on career paths contrasts straight-line careers, in which the individual moves up the ladder, often staying within one organization, and spiral career paths, in which individuals often need to move laterally in order to progress. The former is more typical of careers in business, while the latter is more typical of careers in the nonprofit sector. In part, this is a function of organizational size: Since small organizations frequently have little room within their staff structure for upward mobility, many accept, as a fact of life, that they will eventually lose staff to other agencies.

MOTIVATION:

Before managers can successfully retain staff, they must first understand what motivates them. Central to the debate on motivation is the issue of intrinsic motivators, such as the mission, the nature of the work, a chance for personal growth and self-development, versus extrinsic motivators, primarily salary and benefits.

- **Mission:** Most people choose to work in nonprofits because they believe in the work they do for the common good. While the missions of the organizations varied, all reflected the satisfaction of doing meaningful work that contributed to individuals or to the good of society.
- **Salary:** While a majority of those interviewed felt they offered salaries that were competitive with other agencies of similar size, doing similar work, there was recognition and acceptance that salaries in nonprofits are in general lower than in for-profit firms. This does not mean to suggest a level playing field for all nonprofits; even within the nonprofit sector, the salary differential between large and small organizations was noticeable.
- **Benefits:** Benefits varied widely among the nonprofits in this study, ranging from only basic health care to more comprehensive packages. Managers recognized that benefit packages were an extremely important way to compensate for low salaries when attracting employees. The study found considerable creativity, with organizations offering benefits ranging from flextime and a shortened workweek to free parking, monthly massages and more spacious offices. Overall, non-traditional benefits were seen as a way to make staff feel satisfied, appreciated and taken care of.

- **Opportunity for Professional Growth and Development:** Most of the organizations have some sort of professional development benefits. These ranged from funding to attend conferences or workshops to tuition for continuing education. A study of recent college graduates indicates that an interesting/challenging job and the opportunity for advancement ranked first and second ahead of salary and benefits. Organizations that place a high priority on professional development saw benefits to the organization as well as to the individual.
- **Organizational Culture and Working Conditions:** Among the characteristics that make some organizations extremely attractive are a sense of community in a supportive environment and good intra-organizational communication. Making employees feel empowered to make their own decisions and continually reinforcing that they are valued and their work is appreciated help to create positive working conditions. While burn-out is a serious issue for direct-service staff, it can affect professional staff as well, not only because of the stress of dealing with difficult client problems, but also because of uncertain funding and inadequate staffing levels.

DIVERSITY:

Two-thirds of the organizations surveyed were actively pursuing staff diversity as a goal. (Some of the remaining third felt they had already achieved a high level of diversity.) Managers define diversity very broadly, including gender, ethnicity, age and disability. Even those who rated their organization as successful report difficulties in attracting minorities. One manager commented that part of the difficulty was that in Pittsburgh “really good people from diverse backgrounds are going somewhere else.” Only a few agencies mentioned age as a diversity issue. Small organizations with low turnover rates had problems achieving diversity.

One key strategy for improving diversity was to make sure that the organization’s Board of Directors was diverse. Organizations also used aggressive recruitment techniques, including networking, partnering with local universities and colleges, and providing diversity training to staff.

CONCLUSIONS

Although this study found that most organizations are not experiencing a problem of crisis proportion in hiring and retaining professional staff, it did identify a number of areas where nonprofit managers can benefit from training and development when it comes to hiring and retaining professional staff.

Professionalism: While not all organizations need to hire a full-time HR staff, improving the knowledge and skills of those managing the HR function would help these agencies meet their HR challenges. There is need for formal training, informal coaching and resource materials that provide guidance on both practical skills and legal requirements.

Recruiting: Broadening the Pool: One way to improve agencies’ ability to hire high-quality professional staff is to broaden the applicant pool. That means moving beyond the usual recruitment methods and using methods (such as web sites) that attract candidates from a regional or national pool. Giving small nonprofits access to basic web technology and training on its use is critical here.

Retention: Managers, particularly in small organizations, may be too quick to assume that they can’t do anything to prevent loss of professional staff. Senior administrators may need support, in the form of training or informal mentoring, to help them think through the trade-offs of these two strategies and to assist them in developing strategies, such as professional development or job enrichment, to reduce turnover of their stronger professional staff.

Motivation: The fundamental lesson here is that while salary and benefits matter, people choose to work for nonprofits because they are motivated by work that is socially meaningful. Many employees also seek out positions that satisfy their desire for professional growth and that provide an opportunity to develop new skills. The most successful nonprofits have learned how to build on those motivations in order to sell themselves as organizations that directly touch the lives of people. While some managers have a good intuitive feel for the motivation of their employees, many, especially those relatively new to their positions, could benefit from a workshop that introduced them to basic theories and research findings about motivation and helped them to make the link between motivation and their recruitment and management approaches more explicit.

Management Skills and Partnership Possibilities: Finally, what emerged from this study was the recognition that hiring and retaining staff is but one in a long list of challenges nonprofit executives face on a regular basis. Many of the directors taking part in this study came up through the ranks with little or no formal management training. They are often stretched thin, as their organizations are under-staffed and they frequently are called upon to perform a wide range of functions within the organization. Small organizations, in particular, are very individualized in style, and the management skills and leadership abilities of executives are among the most important determinants of success or failure, both in hiring and retaining staff and in meeting organizational goals.

As a result, while it is clear that executive directors and senior management could benefit from formal training in HR functions, that training should not focus exclusively on the technical aspects of hiring, compensation and retention, but should place those functions within the broader context of good management including planning, budgeting and fund-raising, board relations and understanding of leadership.

One incidental finding of the study was the relative isolation of nonprofits. Many organizations, particularly the smaller ones, are facing similar challenges that could be addressed more easily through formal or informal partnerships. These include sharing of information (such as benchmarking salaries and benefits) and partnering in recruitment (by organizing joint job fairs). Consortia of nonprofits can also band together to negotiate benefits packages at advantageous rates or to offer training for professionals or direct service staff. Informal structures that create discussion opportunities on an on-going basis would be useful. In some cases, more formal partnerships that can address issues such as information sharing, organizing joint job fairs, or creating a consortia of nonprofits in order to negotiate benefits packages at a more favorable rate or to offer joint training should be considered.

Recommendations:

- Formalize/improve the way the organization manages the HR function in a way that is practical and sustainable for the organization.
- Invest in formal training for designated staff both in practical HR skills and in the legal requirements of the field.
- Focus on getting managers and HR staff "up to speed" on the use of technology in hiring.
- Consider collaborating to establish a local web site for posting job vacancies
- Focus on reducing turnover through professional development or job enrichment.
- Create formal and informal partnerships that link nonprofit leaders.

Looking Ahead:

In December 2001 the Forbes Funds convened a Roundtable to begin a dialogue on the issues related to attracting and retaining talented individuals in the nonprofit sector. As this study shows, new methods may be necessary if nonprofit organizations are to remain competitive in today's more complex environment. The Forbes Funds remains committed to studying employment trends that affect the region and to exploring new means for attracting and retaining talented professionals to the nonprofit sector. Through a grant from the Richard King Mellon Foundation, the Forbes Funds continues in its efforts to build management capacity in human service organizations, particularly as it relates to developing efficiencies and expertise in all aspects of human resource management.

This TROPMAN REPORT is one of a series of briefing papers generated by The Tropman Fund for Nonprofit Research. TROPMAN REPORTS in this 2002 series are:

1. Capacity-building in the Nonprofit Sector: *A Comparison of Resources and Practices in Pittsburgh and Denver*
2. How Do Nonprofits Compare with For-profit Providers? *An Application of Customer Value Analysis*
3. Leveraging Human Capital: *How Nonprofits in Pittsburgh Recruit and Manage Volunteers*
4. New Economy Entrepreneurs: *Their Attitudes on Philanthropy*
5. Profit Making in Nonprofits: *An Assessment of Entrepreneurial Ventures in Nonprofit Organizations*
6. **Recruitment and Retention of Managerial Talent: *Current Practices and Prospects for Nonprofits in Pittsburgh***
7. Social Services in Faith-Based Organizations: *Pittsburgh Congregations and the Services They Provide*
8. Staying Ahead of the Curve: *An Assessment of Executive Training Needs and Resources in Pittsburgh*
9. Strategic Planning: *Positioning Identity, Values and Aspirations*

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