Ready to Scale Fast? Are You Sure?

Unprepared for the human side of rapid expansion, organizations can get tripped up by foreseeable challenges.

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Say you hit the nonprofit jackpot: A philanthropist believes in your mission and, inspired by the evidence of impact you've already demonstrated, wants to see your organization grow quickly. Money has always been your most pressing concern, but now, with a big benefactor behind you, you've got the wind at your back. You've conquered the biggest challenge of growth. Haven't you?

Maybe not. In fact, probably not. We have seen many organizations grossly underestimate the "people" challenges before them. As a result, they make mistakes whose implications become visible only after they have compounded into serious problems: decreased program quality, missing growth goals, and, in the worst cases, losing key funders as a result of such systemic missteps.

When not caught and addressed early, the fixes are expensive and overwhelming. So if you want to scale *successfully*, take time to scope the human side of things. In Part I of this series we offer some ideas to help you anticipate and avoid the missteps that sabotage rapid growth.

Be direct and transparent enough in addressing the *always*-asked question: Is the ED/CEO the right person in the right role to lead the organization into this next phase?

If that ED/CEO is you, you have no doubt already considered this, and you are anticipating that your Board is doing the same (and your staff as well). It is a potentially awkward conversation to have publicly—but the more transparent, the better. Ironically, this moment provides a great opportunity for the leader to demonstrate courage, candor, and mission-first values. Addressed early and head- on, anticipated and acknowledged gaps in the leader's capabilities can be successfully remediated by, for example, bringing on leadership team members with complementary strengths, focusing the ED/CEO's role to focus on his/her strengths; and/or by adding targeted professional development resources for the leader. Avoiding this topic creates unnecessary stress, demoralizes staff, and increases the odds of a forced succession that can slow the organization's progress by years.

Grow your senior team to the size of the challenges it will face

You know that with growth comes the need to expand your senior team, very likely adding new and important roles. But are you underestimating the extent of what's likely to come your way? As the organization scales there will be changes and adjustments: bad hires, new struggling sites, stalwart funders who unexpectedly don't renew, new organizational structures that cause confusion, software that suddenly fails. You can't always know exactly what form the issues will take, but one thing is certain: even the most rewarding growth creates opportunities for mistakes and miscues. Your plan should factor in the extent to which as you grow senior team members will be increasingly pulled out of their day-to-day jobs to put out unexpected fires. A leadership team overtasked with handling short-term problems will lack the forward-looking capacity required to anticipate and avoid potentially costly mistakes.

Get creative around internal development / external hire decisions

Consider the vice president of finance in an organization with a $5 million operating budget, versus one with a $25 million operating budget. There's clearly a profound difference between these two roles.

Can your team members grow into more complex roles? Organizations with a culture that encourages learning are likely to take a "let's just give our people a chance" tack—but this well-meaning gesture potentially sets the individual up to fail.

Professional development that is focused and purposeful is far more likely to succeed. Start by anticipating what the future role will look like, then clarify the demanding learning curve required for the incumbent to be successful, and then ensure that your organization and your people are willing to make the significant personal and organizational investments that will be required. Realizing, for example, that this path might require a six-day-a-week job for a year, incumbents are far more likely to either step up successfully, or gracefully acknowledge the need to bring in new people with more advanced skills. With proactive foresight it may also be possible to restructure a role in order to make the required skills more attainable.

Hire for the roles and skills you'll need in a year (or two)

Are the people you're planning to hire *this year* going to be capable of doing their jobs exceptionally well *next year,* when their jobs have become bigger and more complex? Being distracted by today's most immediate and urgent needs can all too quickly lead to a hire that won't work for the longer term. There's a reason that smart parents buy their children clothes that are slightly too large.

Plan for the time and risks involved in hiring and developing middle managers

In many nonprofits they're regional directors, responsible for satellite locations. In schools they may be principals. Whatever the title, you know you're going to need more middle managers—so are you appreciating the complexity of identifying, recruiting, hiring and onboarding them? If not, you will put your organization at serious risk, particularly if yours is a unique program or culture.

As noted, promoting top internal candidates is an attractive option: incumbents can offer deep understanding of the organization's culture and program model. Be aware, however, that it can take a year or more of concerted effort to strengthen necessary but underdeveloped management and communication skills—so you'll need a long runway. Alternatively, top external candidates offer seasoned management skills, but without time in your organization's trenches they may not be great role models for your culture or appreciate the distinct strengths of your program model.

These challenges are compounded if your middle managers work far from the organization's senior leaders, because it will be more difficult to support or monitor their adjustment. What's more, if your middle managers need to make hires of their own, the "wrong" ones are more likely to hire "wrong" team members, all before the original hiring error becomes evident.

Factor in turnover and hiring mistakes—and their costs

Each stage of growth brings changes that will cause a bump in turnover. In addition to accustomed changes (relocations, other career interests, etc.), some team members may feel less in sync with the emerging culture, hurt because they no longer report to the ED/CEO, less attracted to their increasingly specialized role, or missing the skills increasingly required of them.

Your organization's first stab at defining a *new* role—a first COO, Director of Talent or Regional director—presents another often overlooked vulnerability. You may prove mistaken as to how you scope the role and, lacking experience with what qualities lead to excellence in that role, you're inherently more likely to hire poorly and face the necessity of making yet another change.

The risks can be mitigated with concerted action, but even then you will experience churn that can double your perceived recruiting needs. Take a 50-person nonprofit expecting to get to 60 staff within a year. If you're planning to hire only ten new people, you're likely to face trouble. Even assuming an optimistic 20% annual turnover and only a 10% bad hire rate, it will actually take 21 hires to hit the desired growth goals. That's more than double what many such organizations prepare for, both in terms of expense and program delivery.

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I got a call recently from a senior manager at an education nonprofit. In the past 18 months, building on excellent results, the organization had grown from 30 to 90 employees. But now, the nonprofit was struggling. A new VP hired by the CEO to spearhead the growth process had left. Turnover was high, and early signs suggested that program results were suffering. The senior manager I spoke with said, “We knew human capital management was important. I just do not think we understood all the facets of the challenge. We did fairly well on the issues we identified but we just didn’t see them all until it was too late.”

It’s not too late for you. Forewarned *is* forearmed.

In Part II we’ll look at other types of human capital management challenges that trip organizations up as they scale.