

---

# THE LEADERSHIP CHALLENGE: CREATING AN ENDURING ORGANIZATION

Robert O. Zdenek and Carol Steinbach

(This article originally appeared in the November/December 2000 issue of *Shelterforce*.)

Managing a community development corporation (CDC) has never been easy. The task is even harder today. Competition for resources has intensified, and keeping talented staff is especially tough in today's tight job market.

Add to these longstanding CDC trials new organizational challenges. With the advent of the information age, the pace of commerce everywhere has accelerated. Precious little time exists for reflection or recovery from mistakes.

The demands on CDCs are growing, too. Being good at real estate development no longer is enough. To help residents take advantage of rising opportunities in a strong economy, many CDCs feel pressure to become involved in a broader range of unfamiliar activities more closely related to human services—including education and job training, job placement, child and elder care, and transportation to metropolitan counties with a surplus of jobs.

As CDCs mature from upstart organizations to enduring institutions in their neighborhoods, paying attention to management issues can make or break a CDC's ability to respond to these organizational challenges. No management component means more to success than leadership development. CDCs must create good leadership structures and nurture the appropriate kinds of leadership.

## DISPERSING DECISIONMAKING

A visionary and entrepreneurial leader lies at the heart of the traditional CDC model—and in the early stage of a CDC's life, this type of leader often performs the best. He or she probably grew up or worked in the community, and often has the high drive and energy needed to catalyze change. CDCs thrive on that special quality of vision: the ability to look out at a block of blighted buildings and imagine a new employment center, a bookstore, or a health clinic. Many entrepreneurs micro-manage—but during an organization's formative stage, a hands-on approach can be a plus. Young CDCs need to complete projects to build a track record of success.

As a group begins to mature, gain expertise, and widen its community responsibilities, the traditional CDC leadership model sometimes becomes less effective. The entrepreneurial leader typically builds the organization around his or her specific relationships. These relationships become hard to sustain as the CDC's activities expand. Most entrepreneurs use a "command-and-control" leadership style—an approach that can be a drawback in today's "networked" economy, which places a premium on working collaboratively, forging alliances, and sharing information widely among many people who make decisions for the organization.

What leadership qualities should CDCs seek instead? The single most important is dispersion of leadership. Instead of a dominant director and perhaps a few leaders at the top of the organization who manage everyone else, CDCs should seek the creation of a guiding coalition (composed of staff, board, volunteers, and other stakeholders) whose members take personal responsibility for the CDC's results. In this new configuration, staff teams handle most projects and activities because they have the most knowledge, and ultimately can be held accountable to the particular constituency or project. The executive director does not delegate functions while maintaining overall project control. Instead, the team—staffed with people who can get the job done—takes responsibility.

## **TRAINING**

More and more people believe that leaders are made, not born. A flat decisionmaking structure within a CDC functions as internal leadership training because more people become involved in decisionmaking. CDCs, however, must also focus explicitly on providing employees and volunteers with formal leadership and technical training and other leadership development support such as coaching or mentoring.

CDCs and their funders are starting to invest more in training and learning opportunities, primarily technical training. Increased training, however, is not enough. Technical training has an important place in developing leaders, but too often, a person with technical capabilities is promoted to a management and supervisory level without the needed management and leadership skills. Staff need continuing exposure to both technical training and leadership and management training, as do CDC boards.

## CROSS-TRAINING

Any organization, from sports teams to Fortune 500 corporations, relies on versatility and depth. CDCs are no different. As CDCs expand, senior staff need to understand all parts of the organization. For example, workforce development and economic development staff need to communicate clearly and often to ensure CDC job training programs really help make individuals more employable and achieve job-creation objectives.

Such cross-training could be achieved by simply having one day per quarter when professional staff share their expertise. Business development staff could show human services personnel how to identify market opportunities or maximize revenue. Human services staff, in turn, could show business development staff how the services they provide help stabilize businesses by strengthening employees. Such cross-training helps ensure that all CDC knowledge is not lost should senior staff depart. It also encourages a more team-centered environment.

## SUCCESSION

Even with dispersed leadership, the executive director's role remains vitally important. Most CDCs, however, do not have succession plans for directors, or for senior staff or their boards. Enough challenges arise when an executive director leaves. When the director and several senior staff depart, a CDC can literally face disaster without a succession plan. That scenario occurred at Eastside Community Investments in Indianapolis, when long-time president Dennis West resigned at the same time as major senior positions were vacant or filled with new staff who had limited knowledge or experience. Already facing serious problems, within a few weeks the CDC collapsed financially. (See <http://www.nhi.org/online/issues/104/steinbach.html>.)

Succession planning should always be in place for executive directors, as well as for senior management of larger CDCs, especially those with vice presidents, controllers, and major program directors. In many large organizations, replacing the executive director can take up to a year. A succession plan will identify and prepare another staff person to maintain the relationships and momentum of the CDC in the short term while the search for a new director commences. A succession plan should define the process and timeline for the search and recognize that a new executive might need a different set of skills than the previous one as the organization moves forward.

Succession planning also is important for boards. A sudden lack of leadership or continuity on the board is like a ship without a rudder. Someone needs to be ready to step in when a volunteer leader leaves. For a board chair, the vice-chair often can fill the role. Someone also needs to be prepared to take over from the treasurer, who maintains the fiduciary health of the organization. A learning curve faces any treasurer for a multifaceted CDC, and an assistant treasurer probably will perform better as interim treasurer than will someone who has been only a general board member.

## **LEADERSHIP FROM THE BOARD**

In many CDCs, executive directors make strategic decisions, with input from the board. That equation should be reversed. Boards should do the strategic planning, with staff input. “Lots of organizations die from making poor strategic decisions,” says George Knight, former executive director of the Neighborhood Reinvestment Corporation. “Private companies fail from taking the wrong strategic path, too. Maybe even nations. That’s why strategic decisions should be the top concern of a CDC board.”

Community residents, business and civic leaders, and outside professionals typically compose CDC boards. While most board members provide valuable service—and some perform extraordinarily—the Achilles heel of many CDCs is their board of directors.

Sometimes boards conflict with staff or try to micromanage. Other boards ossify. Continuity can be a strength in managing an organization; but boards need turnover, too, to infuse new energy and ideas.

“As the CDC grows, the board needs to have the know-how to assist the executive director and bring sophistication to the policy decisions and monitoring of the corporation,” says Anita Miller, former director of the Comprehensive Community Revitalization Program initiative in the South Bronx. “The key is to keep adjusting.”

Most successful CDCs spend a great deal of time figuring out how to identify and solicit potential board members whose service could help the organization. “Our board members are carefully selected for their willingness to work,” says Jim Dickerson, founder of Manna, Inc., in Washington, D.C. “If a board member misses two meetings, he or she is subject to being replaced.”

CDCs use a variety of strategies to ensure a good mix of skills, tenure, and personalities on their boards. “We use a skills grid to decide who to put on our board,” says Dee Walsh of REACH Community Development in Portland, Oregon. As with many successful CDCs, REACH makes board training a high priority. “Board members have mentors and can take training courses each quarter in financial management, development and other community development and organizational essentials,” Walsh says.

## **INVEST IN ORGANIZATIONAL NEEDS**

CDC funders shoulder much of the blame for poor management practices across the sector. They put their money into CDC projects, programs, and services instead of organizational development. As a result, the community development field tends to offer relatively poor salaries and benefit packages, limited training resources, and limited opportunities for professional development. These poor practices must change if CDCs are going to prosper in the 21st century. In today’s competitive environment, it is no longer smart or practical to continue making minimal investment in the human capital and organizational needs of CDCs.

## **ABOUT THE AUTHORS**

Robert O. Zdenek is an independent consultant specializing in organizational capacity building, asset development, economic development initiatives, and strategic alliances and partnerships. Carol Steinbach is a Washington, D.C.-based journalist who has written extensively about community development and housing.