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Introduction

The global development sector is changing rapidly. Not only has it grown significantly over the last few decades, it also is attracting increasingly sophisticated actors as both funders and implementers of development work. The new players expect fast and measurable results. These expectations place fresh demands for transparency and results measurement on organizations. One result is a change in the face, or faces, at the top of these organizations. This paper considers trends in the sector and their impact.

In recent months, members of the Global Development Practice at Russell Reynolds Associates have been speaking with leaders in the sector to hear their views and learn of their experiences regarding these changes.

We detected six themes that, in varying degrees and ways, affect development organizations and lie behind change at the top. They are summarized as follows:

1. Focus on Measurable Impact and Outcomes
2. Local Ownership and Design
3. Enhanced Role of Markets, Civil Society and Grassroots Organizations in Delivery
4. Partnership/Coalition Models of Development
5. Impact of New Philanthropy/Other Sources of Funding
6. Transparency

These themes are interconnected and overlapping. Together, they produce a complex environment to which both new and established organizations must adapt. Our purpose here has been to examine what some of this adaptation has meant at the top of these organizations.
Executive Summary

I. There was a general consensus among those with whom we spoke that the six trends identified at the outset and listed above are real and that these trends are changing the environment in which development organizations work. Most agreed that the need to draw talent from a wider range of backgrounds in order to meet arising challenges is important. The demand side of the equation has changed dramatically. The market on the supply side (namely, candidate populations for such roles) is changing, too, but, so far, more slowly. Organizations that find ways of addressing the hunt for talent effectively will benefit.

II. Despite this, an analysis of our sample of development organizations suggests that senior management teams (SMT) have not changed in a uniform or consistent way. This variation, in part, is accounted for by the differences in method and purpose among the organizations we chose. Younger organizations have moved further toward updated models of leadership than established ones. It also is clear that methods move more readily across sectoral boundaries than people do. Results-based management and much of the work being done in innovative financing are borrowings from the commercial world and exemplify such a trend.

III. The global development sector and its leaders will remain diverse and a forcing ground for fresh ideas and models. However, given the pressure on traditional sources of funding and the parallel rise of new funders, the trends described here seem set to remain critical to the shaping of the successful organizations of the future. In the Global Development Practice of Russell Reynolds Associates, it is our privilege to support these organizations in defining need, identifying talent, and attracting and retaining modern leaders. The world’s need for them has never been greater.

Context

Since 1997, net Official Development Assistance (ODA) disbursements from the Development Assistance Committee (DAC) countries have increased, on average, by 4.4% annually, from $67.9 billion to $127.5 billion\(^1\) in 2009. Total ODA probably is closer to $154.5 billion\(^2\). However, the distribution of this growth has been uneven across regions and sectors. While, between 2003 and 2009, assistance in the health and education sectors almost doubled\(^3\) and ODA to banking and the financial services rose fivefold\(^4\), assistance to industry, mining and construction showed no clear upward trend\(^5\). Meanwhile, support to non-governmental organizations (NGO) was lower in 2009 than in 2003\(^6\). In addition to public ODA, there has been a large, though volatile, increase in private development flows.

\(^1\) Organisation for Economic Co-operation and Development ((OECD)-DAC, 2011); 2009 prices and exchange rates.
\(^3\) Measured in current US$. Health: from $2.6 billion to $4.8 billion; education: from $5.5 billion to $9.3 billion (OECD, 2011).
\(^4\) From $0.5 billion to $2.7 billion measured in current US$ (OECD, 2011).
\(^5\) The industry, mining and construction category received $1.3 billion in 2003 and $1.1 billion in 2009. However, in 2008, donated funds reached $2.0 billion (OECD, 2011).
\(^6\) While there has been a downward trend from $1.8 billion (2003) to $1.1 billion (2009), there was a big jump in NGO support in 2006, when funds donated reached $4.4 billion (OECD, 2011).
Both as a cause and an effect of the general growth of development funds, there has been a proliferation of new funding organizations, both public and private. In 2007, China and a handful of middle income countries for the first time became donors to the International Development Association. In addition, donors from the Global South—both inside and outside the DAC—are estimated to be the source of 29% of discounted lending.

Alongside an increase in public donors, private donors are playing an expansively active role and rival NGOs as agenda setters. In the United States in 2009, $37.5 billion flowed from private philanthropy and only $28.8 billion from official ODA. The Bill & Melinda Gates Foundation alone has donated more than $24 billion since 1994, and more than 10% of that figure is from 2010. With the rise of private donors, there also has been a rise in public-private partnerships. The Global Fund to fight AIDS, Tuberculosis and Malaria (Global Fund), for instance, has financed programs to fight the three pandemics with approved funding of some $22 billion since its inception in 2002. According to the latest figures from OECD-DAC, net private grants from DAC member states rose from $8.8 billion in 2002 to $22.1 billion in 2009. As Chart 1 shows, private flows on market terms are significantly larger still.

Chart 1: Public and private flows (US$ billion)

Source: OECD-DAC

In the last few years, these changing conditions for the sector have been acknowledged by the established donor community. The 2005 Paris Declaration on Aid Effectiveness posited five overarching principles of ownership, alignment, harmonization, results and mutual accountability. Similarly, the Monterrey Consensus and the Doha Declaration represented decisive shifts away from binary donor-recipient relationships.

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7 Hudson Institute’s Center for Global Prosperity (2011), *Index of Global Philanthropy and Remittances*; the remainder of the grand total of $226 billion was made up of remittances and private capital flows such as foreign direct investments.

8 $225 billion in 2009.
Global Development: A New Approach to Leadership

Much of this is reflected in the six trends we observed. Each is aimed at enhancing the quality of development, but each comes with concomitant challenges to existing methods and structures.

1. Focus on Measurable Impact and Outcomes
Given the critique of traditional development methods of the past 60 years, there has been an emphasis on proof of impact in much recent work in the sector. Organizations such as the Global Fund and the GAVI Alliance pride themselves on the robustness of their data and evidence of “lives saved” through projects they support. Longer established actors also have significantly enhanced their measurement and evaluation functions. The aim is both to convince donors of the value being achieved with their money and to show evidence to others of what works.

2. Local Ownership and Design
Poverty/underdevelopment in the Global South is not a single general challenge. It is a compound of multiple and particular problems, requiring numerous and specific solutions. Frequently, therefore, the best solutions are those conceived, or refined, on the ground. As countries develop more robust systems of accountability, there is a legitimate expectation that these countries will play a greater part in the design and oversight of programs. Our interviewees supported this expectation. As one mentioned: In the 1980s, countries like Tanzania were run as “a set of fiefdoms [for aid organizations]. The carcasses of these white elephants are found all over developing countries.” It is hoped that such an attitude is less prevalent today than a few decades ago. This shift is a challenge for many organizations, including established NGOs. They must relate to need as articulated by confident local partners, some of whom will be skeptical of what NGOs now have to offer.

3. Enhanced Role of Markets, Civil Society and Grassroots Organizations in Delivery
Closely linked to the notion of local ownership is the desire to break the old state-to-state model of development. Just as an increasing volume of resource now is coming from non-state actors, so also there is a recognition that delivery often is best performed by third-sector and community organizations. Engaging NGOs, both internationally and locally, and identifying community-based partners and private sector leaders with whom to work are seen as ways to facilitate innovation and to mitigate bureaucratic sclerosis or corruption. In addition, the private sector is involved and is not simply a source of resource. The use of market-based solutions is growing as well. GAIN (Global Alliance for Improved Nutrition) sees commercial partners as critical to the delivery of better food to those who need it at a population-wide level. Central to the model of AGRA (Alliance for a Green Revolution in Africa) is the development of a coalition between states and commercial organizations to scale up an integrated model for improved agricultural output on the Continent.

4. Partnership/Coalition Models of Development
Local ownership and the inclusion of non-state actors require an updated set of relationships to deliver development programs. An obvious example of this is the model of vertical funds, such as the Global Fund and the GAVI Alliance. They are resourcing organizations and, like foundation funders such as Gates, these organizations rely on others to deliver the programs they support. Building and sustaining relationships with implementing partners, that are both effective in delivering impact and robust enough to stand the rigors of the new measurement approach, can be challenging.
The move to partnership-based relationships also reflects the arising needs of countries as they emerge from crisis and their economies begin to grow. Instead of basic development assistance, these countries require enhanced procurement and other skills in the public sector and capital support in the private sector. At present, lack of capital to support this growth is a challenge, and there is a gap between the capital-seeking countries of the Global South and potential investors. Here, leading by example has spurred South to South learning. For instance, African countries are increasingly looking at Latin American models of growth; BRAC (Bangladesh Rural Advancement Committee) is adapting its model, developed in Bangladesh, to rural contexts in Africa.

The evolution of distinct and sometimes smaller donors has accentuated the trend toward delivery through accountable partnership models. These coalitions may be between different donors or among donors and recipients and serve both operational and normative purposes.

5. Impact of New Philanthropy/Other Sources of Funding

The emergence of new and independent funders has had a number of impacts. Some of the more recent funders have highly specific missions, focused on a particular concern or interest of their founders. Regardless of scale and programmatic breadth, these organizations often pride themselves on their autonomy from government policy. Certainly, private foundations can choose partners at their own discretion and insist on their own standards of proof of impact. This offers potential recipients opportunities for long-term partnerships that can withstand the vagaries of political change. It also presents modern audiences that must be convinced of a prospective recipient’s merits.

The greater assortment of donors also has brought about various types of venture philanthropies such as the Acumen Fund and New Profit Inc. While there are huge vested interests supporting the established funders, the rise of new actors certainly has introduced unprecedented donor competition.

6. Transparency

Running through many of the earlier themes is the pressure to disclose how the business of development is done. The results of the measurement described above are hailed as evidence of the success of novel approaches or are used as proof that the old problems of corruption or systemic inadequacy persist. The need to convince electorates of the virtue of spending on development lie behind, for example, the publication of the Department for International Development (DFID) Multilateral Aid Review in March 2011. NGOs also face an acute need to communicate with their donor bases, especially in periods of economic difficulty.

The demand for transparency exists at the point of implementation. A partnership model requires clear communication about the division of labor. Increasingly vocal electorates in the Global South and the ubiquity of state-of-the-art media communications technology mean the success or failure of development programs is under constant scrutiny. Development organizations must be able to tell and sell their stories.

Creating strong, effective partnerships is challenging—and critical to success in program delivery.
So What?

These six themes, often in combination, place higher requirements on development organizations. While some of the tenets are mutually reinforcing, others sometimes are in conflict. If, for example, a local government or community disagrees with an international normative body on the best program to pursue, what does a partnership-based organization do?

Few would argue with the notion that rigorous and rapid assessment of program impact is valuable. It should avoid waste and corruption and hasten the achievement of development goals. However, the relentless focus on measurement has not only led to change in methodology but also in substance. Infrastructure and health programs, at least in the short term, are easier goods to measure than those focused on other areas of social change. As a consequence, there appears to have been a swing back to infrastructure and health. Some of those with whom we spoke expressed concern that programs investing in civil society, delivering results only after a lengthy period, struggle to be funded today. Similarly, the principle of local ownership may be difficult to reconcile with a consistent approach to impact assessment without placing a considerable additional burden on implementing partners.

Cutting-edge solutions also can create new problems. It is common knowledge that, however well-intentioned, multiple and different donor reporting requirements have a detrimental impact on recipient ability to deliver. An effective senior management team has to determine when a situation calls for in-depth reporting. It is important to avoid the frequently cited incident that occurred in the Tanzanian Ministry of Health not that long ago. It had to fill out 12,000 quarterly reports and had a health minister spending 80% of his time accompanying foreign visitors.

Against this backdrop of rapid change, leading development organizations have had to show unprecedented flexibility and willingness to innovate. This has necessitated creative thinking on the composition of senior management teams and an evaluation on where to find the right people for these positions.

In what follows, we have summarized the observations of those leaders with whom we have spoken on both the structure of senior teams and the backgrounds of the people who populate the SMTs. In addition, we have tried to include some wider context through an analysis of the senior teams of 25 development organizations chosen for the variety of their mandates and mix of characteristics. This exercise, limited though it is, highlights a number of emerging patterns.


Changing Leadership Structures

As we heard in our conversations, the SMTs of development organizations are being tested in a host of ways. In thinking about the leadership needs of these organizations, three subjects seem to loom especially large: composition of the senior management team; its capacity for innovation; and its collective communication skills.

1. Composition

The need for fresh skills and, therefore, modern leaders on senior management teams was much discussed by those with whom we spoke. Examples of advanced functions such as Measurement and Evaluation (M&E) and Partnerships finding a place at the SMT level were cited. However, when considering our sample of 25 leading organizations, it is clear that the progress of these patterns is uneven. Nine of our sample organizations have SMT members responsible for M&E, Quality Assurance or Results. Twelve have an SMT member responsible for External Relations, but it is not always apparent how central partnership management is to the role.

What is striking is that the organizations with these distinct functions tend themselves to be the relative newcomers, in existence for 10 or fewer years. This does not mean more established organizations lack the sophisticated functions but may reflect the fact that it has taken longer for some of the major preoccupations of the sector to be infused at the highest level of the organization.

Unsurprisingly, a more widespread trend appears to be the recruitment of people from the private sector with skills in transferable functional areas. In our group, of the 16 organizations that have a chief financial officer (CFO) on the senior management team, 10 have CFOs with private sector backgrounds (see Chart 2).

More subtle, perhaps, are the ways in which the different perspectives of stakeholders are acknowledged in the composition of SMTs (as well as on the boards) of organizations that rely on partnerships. At UNAIDS while he was executive director, Peter Piot sought to achieve this. So, for example, it was important to have at least one person on the SMT with a particularly strong understanding of the UN system and one member representing the NGO world. As in many organizations, representation from the Global South was important and added another dimension to the dynamic of team composition. More broadly, experience of recent changes in the development sector has meant an increased focus on the roles of the CEO, the director of country operations, and the research and policy directors. Overall, there has been a demand for leaders who are technically competent without being academic.

Creating an effective working culture from a heterogeneous group is a leadership challenge in any organization. Development organizations face the need to adapt or reform existing cultures. The nature of this change varies. Thus, monolithic, multilateral agencies, and bodies engendered by them, may struggle with process-driven and bureaucratic tendencies. Meanwhile, NGOs with a history of campaigning may have to rein in the urge to oppositional advocacy when trying to build partnerships. The coalition of sectors required for modern NGOs to be effective sometimes will be manifested in their SMTs, constituted as they often are of individuals with backgrounds in the commercial world, campaigning and advocacy, and policy.

Getting the right mix of people requires creative thinking.
As one of our contributors put it: “Two-way influence between sandal wearers and the smart suited is healthy.” The techniques used by the NGO leaders with whom we spoke to achieve integration at the most senior levels are familiar to those in the commercial world. Programs of “away days” and team development are the norm for the SMT, and systematic staff evaluation and the apparatus of professional development and talent management are deployed throughout many larger NGOs. Although not universal, there is a clear trend in the NGO world toward this sort of professionalization. A corollary of this cohesion at the top, some observed, is a general shift away from the “total democracy,” real or perceived, of the past. Nowadays, many campaigning organizations seem increasingly CEO-led. The capacity to grasp the growing interconnectedness of sectors within the development arena also is crucial. From wherever they come, members of an effective SMT must be able to understand the impact of events and trends in other areas on their organizations.

2. Innovation

In the past, some development organizations have expressed their identity in opposition to the methods, objectives and structures of the commercial world. Current trends make this increasingly difficult to sustain. As a result of rapid change, a greater demand for transparency, an influx of private actors, and a push for measurability and outcome orientation, new disciplines are required (some from the private sector). In addition to seeing the private sector as a vital delivery partner, organizations like GAIN also have begun borrowing business modeling techniques from the commercial world to improve strategic decision making.

Leaders who can engage audiences on both sides of the public-private divide have an advantage in building better teams and in innovating more generally. One novel approach,
in the contract and consulting arena, has been the development of portfolio management models, with networked offices and virtual SMTs. This approach already is practiced by DAI, for instance, which works not only with international financial institutions and other development organizations but also with Southern governments and big corporations. This no doubt is, in part, a response to USAID funding being focused increasingly on locally owned projects at the country level.

The current Save the Children International model recognizes the need to offer a globally consistent proposition to partners in both the public and the private sectors. There, international programs now will be delivered through a single entity. However, individual Save the Children member organizations will continue to mobilize resources and advocate for change in different ways that are appropriate to a given country’s context.

The importance of brokering relationships can be illustrated using an example from the health sector. The problems of ministries of health in the Global South appear comparable with those of the British National Health Service (NHS); both agencies require talented health leaders, and peer networks are a valuable way of granting these organizations access. However, for U.K. agencies supporting health ministries in the Global South, this presents a challenge: Whereas DFID has little or no health expertise, the NHS has the capability but lacks a budget for development work. The Children’s Investment Fund Foundation is an example of an organization that has emerged, in part, to mitigate such mismatches.

For purely funding organizations, their singularity of focus may make adoption of novel approaches easier than for organizations with wider normative or implementing missions. Nevertheless, the impact of change is apparent in both funding and implementing organizations and in some multilateral agencies, as well as in NGOs and foundations.

In all of this, it is useful to distinguish between management skills and leadership expertise. In a sector in transformation, the challenge is to bring together a senior management team that has both. For the CEO in particular, there is a marked need to combine sophisticated management skills (in organizations with limited resources) with excellent ambassadorial ability.

3. Communication

The growing number of stakeholders and the greater pressure for transparency require SMTs to engage with multiple audiences to communicate an organization’s mission. In fact, the capacity to articulate effectively to a range of audiences, in some cases, could be considered a good indicator of the general performance of the senior management team.

A key aspect in all of this is the use of modern information technology. Organizations like the International Crisis Group and Human Rights Watch consistently have shown that the ability to use information technology and online platforms is a key success factor, and employees in global development must be trained in using such tools. In order to direct this work, the SMT needs to understand and to be competent in the use of the latest media. This alters the nature of the way in which the external relations function of a development organization works, whatever its mission and however recently it was established.

Effective communication skills bode well for senior management’s overall performance.
Populating the New Structure

Broadening the Field

In our conversations, we were reminded of a number of pitfalls into which organizations can stumble when putting together a management team. The lure of big names rather than leaders with the right skills was mentioned. Some organizations retain systems that inhibit external appointments, thereby excluding potentially better-suited external candidates outright. It was observed that one major international financial institution fills 80% of its senior roles internally, with the result that the overwhelming majority of its cadre of vice presidents has been with the organization for 30 years or more. Appointment processes at some multilateral agencies sometimes seem inimical to the recruitment of senior people from outside, and staff associations defend the interests of internal candidates with immense skill. The result can be a slightly monoclonal population of senior managers. More widely, there also is a problem for some NGOs and technically focused organizations that the population from which they draw leaders—externally—is relatively small: “Everyone knows everyone else.” These factors may prevent the development of a more heterogeneous leadership.

The pressure to recruit SMT members from a range of sectors is likely to remain acute. However, it presents the challenge of ensuring appropriate induction, which is not always straightforward. There also is a significant need to make certain that the leadership of development organizations reflects the populations the organizations seek to serve, especially in the Global South. Once again, supportive induction for such leaders is a critical part of an organization’s success or failure.

Private Sector Candidates and Compensation

There are barriers to acquiring talent from the commercial world, remuneration being one of the most obvious. Unsurprisingly, therefore, development organizations often have a difficult time in recruiting and retaining good people from private sector backgrounds. In some countries, including the Netherlands and the United Kingdom, mandatory salary capping in publicly funded organizations is in force. While not a direct problem for private foundations, nonetheless, a salary cap poses a challenge to recruiting leaders to the development sector as a whole. Donor tolerance of high salaries is limited in the present climate.

However, an unambiguous mandate to help lead a development organization with a clear set of goals is a highly attractive prospect for many professionals. Once again, the ability to communicate compellingly is critical to successful recruitment. Seriousness of purpose and role models in the form of leaders who have made the transition effectively continue to be the best solution to this problem.

At this time, the movement of talent from the private sector to the development world remains more discussed than practiced. Looking across our group of 25 organizations, there are very few CEOs from a commercial background, and SMTs are heavily dominated by people whose experience has been almost exclusively in the development sector, sometimes
in one organization. To date, leaders whose formation was in the private sector, such as Jasmine Whitbread at Save the Children International, constitute a relatively small minority (see Chart 3). It also is a rare candidate who can make the transition from the commercial world in one easy step. Success at the head of a development organization is not guaranteed to leaders from the private sector simply because they bring rigor to managing a P&L. A real understanding of the social aspects of the work and the significance of the financially intangible assets of a development organization are vital.

The demand for talent from the private sector is felt not just at the top of organizations but also in the ranks of middle managers, especially in some of the new disciplines related to finance and M&E. A number of those with whom we spoke commented on the tendency to outsource to the Big 4 accounting firms and the major strategy consulting houses. Managed well, this offers the opportunity for cross-fertilization and the chance to effect cultural change in development organizations from the mid-levels rather than solely from the top down. Young professionals in such firms (and, indeed, some of the firms themselves) often seek a purpose beyond the purely commercial, and many people plan for careers in which they can give expression to this. It is at this level that most successful and far-reaching diversification of the skills base in development organizations is found. At the SMT level, “It still tends to happen by accident.”

The Importance of HR

Building senior management teams with the blend of skills and experience described here is not easy. Inter alia, it requires a well-resourced and credible human resources (HR) function. Real understanding of HR development should be central in the SMT itself. The function should provide guidance and judgment to the chief executive in building his or her team. In this, a combination of gut feeling and foresight is essential. “Other skills you can buy,” as one interviewee put it.

Chart 3: CEOs in the control group

![Chart 3: CEOs in the control group](image)
The Role of the Board in Enabling Change

“New demands on the SMT have implications for its relation to the board,” we heard. A competent and diverse board can be a crucial force when development organizations effect the changes discussed above. Fundamentally, the ability of boards to have formative impact depends on their ability to “think around an issue.”

Here again, there is a distinction between the governance models of the old and the new development organizations. Establishing clear channels of communication between executives and the board is crucial. The board must be informed in order to make useful contributions. Ensuring that communication is constructive rather than combative can be a major difficulty when there are delicate political concerns to address. Boards that include non-governmental actors sometimes find those members can provide a non-aligned sounding board for SMT members. Board members from a commercial background also may be a very helpful resource in both the attraction and retention of leaders from the private sector.

However, the board should not be involved in operational matters. An effective board is diverse without engaging in divisive voting. A capable board shares its experiences with the senior management team without falling into micro-management.

Organizations themselves must be clear on the function they wish board members to play. Recruitment and induction of new members should follow from a deliberate decision. As one person put it, “Organizations have to be clear whether they are looking for strategic management skills, sectoral celebrities or deep pockets.”

Summary and Recommendations

The significant growth and rapid pace of change in the global development sector in recent years have raised the expectations of the sector’s key stakeholders for greater agility, transparency and performance measurement within the top ranks of such organizations. The higher bar set in these areas is driving a different way of assessing, recruiting and retaining senior leadership. Based on this paper’s analysis of these new requirements and the correlating leadership competencies, we offer the following recommendations to boards and leaders charged with succession and leadership development at global development organizations:

Diversify leadership talent: Organizations will continue to need to draw finance and other technical skills from the private sector. Lateral thinking also will come from people with experience in more than one development field. Teams of narrow specialists may struggle.

Strengthen internal organizational disciplines: The creation of clear lines of professional development for talented staff will distinguish the successful organization.

Be flexible at the top: An openness to talent from outside, as well as within the organization, will be critical.

Create long-term partnerships: Relationships with professional services organizations, and others that go beyond the transactional, should allow people to pursue careers that move back and forth across the boundary between commercial and development organizations. This should be cost efficient and should allow much clearer talent and career planning.
## Acknowledgments

We appreciate the time and insight of those who contributed to this paper. Particular thanks go to:

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