# THE HUMAN CAPITAL DEFICIT IN THE ISLAMIC NONPROFIT SECTOR

## Analysis and Recommendations

The Institute for Social Policy and Understanding

43151 Dalcoma Road ♦ Clinton Township ♦ Michigan 48038 ♦ 586-416-1150 ♦ www.ispu.us

**FORWARD**

The Institute for Social Policy and Understanding (ISPU) would like to thank Aamir Rehman for his diligent work on this report.[1] The study was produced as part of a research project entitled *Managing Human Capital: Keeping Hope Alive in Organizations*, at the Harvard Business School. The study is an important contribution to our understanding of Islamic nonprofit organizations and their views on human capital. The report provides both empirical and anecdotal evidence that the "human capital deficit" is a major problem within Islamic organizations. According to the report, it is a growing problem that needs to be taken more seriously by the Muslim community.

While the report provides many answers, it also raises interesting new questions about funding for nonprofits and the value that the Muslim community has placed on professional talent. The way that nonprofits deal with the problem in the future will undoubtedly impact the long term sustainability of the organization and the sector as a whole. The conclusion and recommendations proposed are certainly a step in the right direction.

In addition, the study raises numerous other social policy issues that ISPU hopes to address in subsequent reports. We invite feedback on this salient study and hope it sparks opportunities to discuss the issue further.

*Farid Senzai*
*Director of Research, ISPU*
*February 2004*

---

[1] Aamir Rehman can be reached at rehman@mba2004.hbs.edu

# CONTENTS

**EXECUTIVE SUMMARY**

Why do Islamic nonprofit organizations struggle to attract and retain professional talent? This paper explores several forces driving the problem and provides recommendations addressing the sector's human capital deficit.

Principally, two "myths of scarcity" limit human capital. One myth is that Islamic nonprofits do not have the financial resources to attract and retain talent. In fact, they do – but they choose to invest in physical assets rather than in human capital. Another myth is that not enough qualified professionals are interested in the sector. In fact, many are – but choose not to pursue it because of a perceived lack of professionalism.

To help address its human capital deficit, we suggest that the Islamic nonprofit sector:

- Conduct regular audits of the organization's professionalism
- Adjust the allocation of funds between physical assets and human capital
- Frame staff positions as entrepreneurial opportunities
- Share physical resources between organizations.
- Develop regional staff positions jointly funded by multiple organizations
- Centrally publicize listing of professional opportunities
- Build awareness of and establish endowments for staff and operational expenses
- Develop short-term professional service opportunities

These steps can help develop more effective and sustainable organizations and thus a more effective nonprofit sector.

**INTRODUCTION**

The Islamic nonprofit sector in the United States faces a serious *human capital deficit*. As the Muslim community grows and develops, the scale and number of institutions is rapidly increasing. To be effective, these institutions need professional staff. Most Islamic nonprofit organizations struggle, however, to attract and retain professional talent. The end result is that organizations fail to develop as fast as the community's needs do.

The goal of this study is to explore the issues which drive the human capital deficit in the Islamic nonprofit sector. We aim to address a straightforward question: why do Islamic nonprofit organizations struggle to attract and retain professional talent? This paper explores several forces driving the human capital deficit in the Islamic nonprofit sector, including organizational, economic, informational and other types of drivers. Additionally we observe how these forces can work to re-enforce one another in a negative spiral of ineffectiveness.

Following a brief description of the research methodology, the expansion of the Islamic nonprofit sector and its growing human capital deficit are discussed. Section two presents the study's principal findings, uncovering "twin myths" of human capital in the sector and discussing the pattern of "compelled entrepreneurship" and its impact on the sector. Section three provides additional observations from our research. Section four provides several recommendations for Islamic nonprofits and their leaders on how to address the human capital deficit. It is hoped that these recommendations may provoke discussion and influence leaders' approach to human capital as the sector develops.

**Research Methodology**

Our study relies principally on primary research in the form of interviews. Our methodology looked at both the "demand" and "supply" sides of the human capital market.

Board members and leaders of eight Islamic nonprofit organizations (the "demand" side), ranging from local mosques and social service organizations to global charities, were interviewed separately. Each leader was asked about his or her own organization's human capital needs and practices as well as his or her overall perspective on the sector's human capital challenges.

Thirteen professionals (the "supply" side) were asked about their background and interest in Islamic nonprofits, their experience (if any) interviewing or working with Islamic nonprofits and the barriers/reservations they have toward working in the sector. They were also asked about their overall perspectives on the sector's human capital challenges.

Interviewees were recruited through several email listservs. To our (pleasant) surprise the email was forwarded across the country resulting in contact with organizations and individuals in California, Indiana, Ohio and Massachusetts. Interviews were conducted by both email and phone.[2]

While conclusions drawn from twenty-one interviews may be somewhat anecdotal, we believe that our observations are largely applicable to the sector overall. We hope that leaders will find our observations relevant and useful in building their own organizations.

**Figure 1a: Interview Populations**



_____
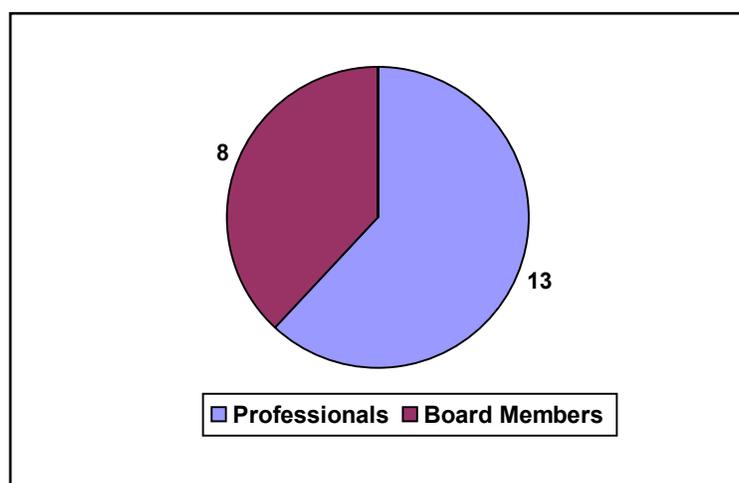
[2] Please see the Appendix for the core interview questions.

**Figure 1b: Institution Types**

| Types of Institution Represented |
| --- |
| Local Mosques |
| Social Service Organizations |
| Political/Advocacy Organizations |
| Community Development Organization |
| International Relief Organization |
| Intergovernmental Organization |

# I.    THE GROWING HUMAN CAPITAL DEFICIT

## Growth of the Islamic Nonprofit Sector

There are an estimated 6 to 7 million Muslims in the United States and, according to several sources, Islam is the fasting growing religion in America. As the Muslim community has grown and matured it has established thousands of organizations to meet its needs.

In recent years the number of Islamic organizations has grown at a remarkable rate, outpacing even the growth of the community itself. An elaborate study conducted by the Council on American Islamic Relations (CAIR) found that between 1994 and 2000 the number of mosques in America increased by 25%, reaching a total of over 1200 mosques.[3] Over two million of America's Muslims are thought to be affiliated with a mosque.

Mosques in America, when compared to other religious organizations, are fairly young institutions. The majority of mosques were established in the past 20 years, with 30% of all mosques established in the 1990s.[4]

In addition to mosques, the Muslim community in America has built several other types of organization. These include Islamic schools, social service organizations, charity and relief organizations and community development organizations. If Muslim student associations are included in the count, it is safe to estimate that the count of non-mosque organizations is well over 1000.[5]

The Islamic nonprofit sector can thus be seen as a rapidly growing one in which organizations lack long institutional histories.

---

[3] Council on American Islamic Relations (CAIR), *The Mosque in America: A National Portrait*. 2001: Washington DC.
[4] Ibid.
[5] Author estimates.

**Expanding Human Capital Deficit**

As the Islamic nonprofit sector expands, it remains remarkably understaffed. According the CAIR study, a startling 55% of American mosques have no paid professional staff of any kind. 26% have only one professional on staff and a mere 10% employ three or more professionals. When one considers that nearly 70% mosques hold five prayers each day (totaling 35 services per week) in addition to other activities, the ratio of staff to services is striking low.

Aggregate data on other segments of the Islamic nonprofit sector is difficult to attain. Anecdotal evidence, however, suggests that a shortage of human capital is felt throughout the entire sector. All board members interviewed, for example, stated that they would like to expand their organization's professional staff.

If the typical organization is significantly understaffed and the number of organizations is increasing, we can infer that in aggregate that the sector's human capital deficit is only growing.

## II.    PRINCIPLE FINDINGS

**Twin Myths of Scarcity**

Our research suggests that two "myths of scarcity" are commonly perceived in the sector. These myths, related to financial and human capital, lead actors on both the demand and supply sides to underestimate their capacity and their opportunities.

> *Myth #1:*
> *The Islamic nonprofit sector lacks the financial resources*
> *to attract and retain professional talent.*

A perceived lack of financial resources was the top constraint cited by board members and leaders we interviewed. One leader, for example, wrote in all caps that "MONEY" was her organization's chief constraint in expanding its human capital. Every board member cited funding as a major issue.

Our observations, however, suggest that the Islamic nonprofit sector **does** have the financial resources to attract and retain more talent than it currently does. The problem is that individual organizations (and by extension, the sector) disproportionately allocate funds for physical assets while neglecting human capital. Simply put, the sector invests in buildings rather than in people.

One interview with a board member illustrates the phenomenon succinctly. His organization, like others in the sector, faced a human capital shortage. His vision for the organization included hiring full-time administrative and operations staff. Of the three people currently on the payroll, however, two – an architect and a consultant – were dedicated to a project enhancing the physical assets of the mosque.

A board member of a relief organization described a similar problem in his organization. Funding for staff training was frowned upon because it was seen as diverting funds from the needy recipients of charity. The lack of training, however, led to lower levels of performance in the organization.

We repeatedly observed in our interviews that communities were investing heavily in physical assets and in other activities while struggling to attract and retain talent. While some investment in physical assets is necessary, our research suggests that mission-critical human capital needs are often given lower priority than physical investments of secondary importance.

> *Myth #2:*
> ***There are not enough qualified professionals interested in working***
> ***in the Islamic nonprofit sector to meet the sector's needs.***

Another perceived constraint discussed by board members was a scarcity of qualified talent. One social services leader, for example, noted a shortage of Muslims with certification in her field. Another board member noted that his community was generally less educated than other Muslim communities in his region.

Our interviews, however, suggest that there are more qualified professionals interested in the sector than board members may think. The problem is that organizations lack the ability to attract professional talent – mainly due to a perceived lack of "professionalism" in the sector.

Our interviews were full of anecdotes about trying to enter the sector but finding only frustration. One young professional in New York left an investment banking job to work at an Islamic nonprofit – only to be dismayed at the organization's unwillingness to provide him even a housing stipend despite its significant resources. One graduate of an

Ivy League college contacted several Islamic nonprofits seeking to "do the right thing" after graduation but her phone calls to these organizations were never returned. She ultimately ended up working at a top-tier consulting firm. According to one young professional in Ohio, there is "no shortage of skilled, knowledgeable" talent interested in the sector – the problem, in his view, lies with organizations' inability to absorb this talent.

Interestingly, the main reservations that professionals had regarding the sector were non-financial in nature. In fact only two of the thirteen professionals interviewed cited low salary as a barrier preventing them from joining an Islamic nonprofit. The most common – and strongly felt – reservations regarding the sector related to a perceived lack of "professionalism."

One aspect of professionalism cited repeatedly was the issue of clear roles and responsibilities. According to one woman with experience in the sector "we were repeatedly asked to be professional but given unprofessional tasks to do." Another professional currently pursuing his MBA echoed the sentiment that organizations were unable to "extract maximum value" from skilled staff.

A second aspect of concern was a lack of professional development. Multiple interviewees saw roles with an Islamic nonprofit as "dead-end job[s]." In the words of one MIT alumnus "Professionals look for stable careers. Islamic nonprofit positions are usually only good on the short term. Very few Islamic nonprofits are established and stable enough to provide clear career paths for professionals."

Another issue cited in interviews was a lack of openness to new ideas or willingness to listen to diverse perspectives. Two female professionals also cited sexism as a challenge and felt that women's contributions were not valued equally to men's. At the board level, one interviewee said he would be interested in supporting Islamic nonprofits made up of young professionals but not "stodgy" traditional organizations which he perceived as less open to new ideas.

Interestingly, another reservation expressed in our interviews was the perception that working at an Islamic nonprofit would mean working with less talented colleagues. While it is sensible that highly talented professionals would want to work with other highly talented people, the human capital deficit cannot be addressed until someone breaks the cycle and comes on board.

We thus reach one of our studies most intriguing findings – board members and leaders tend to see financial limitations as the key driver of the human capital deficit while professionals see the key driver to be a lack of professionalism.

The figure presents the expectation gap in a stylized graphic format.

**Figure 2: Expectation Gap and Human Capital Deficit**

**What Causes the Human Capital Deficit?**

Professionals

High

Relative
Importance

Expectation
Gap

Low

Board Members

Financial
Considerations

Non-Financial
Considerations

Perceived Causes of Human Capital Deficit
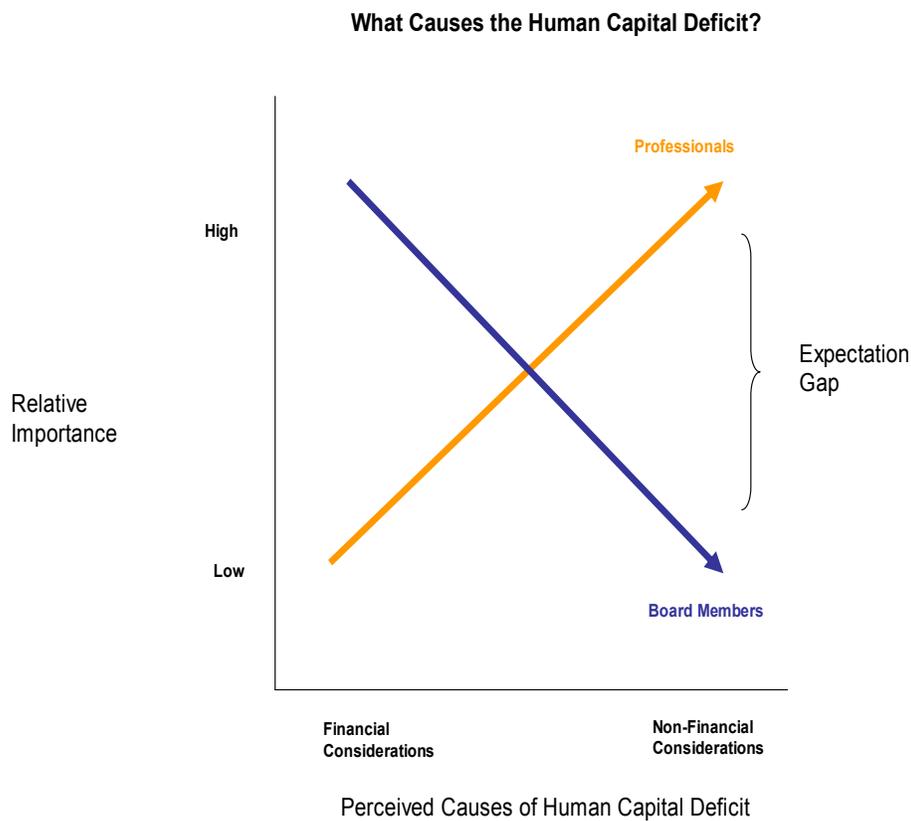
Board members tend to think that providing more funding will attract professional talent. Professionals, however, tend to value non-financial consideration above financial ones. Money alone, therefore, will not solve the problem.

**Compelled to Entrepreneurship**

One major consequence of professionals' dissatisfaction with existing Islamic nonprofits is their desire to create organizations of their own. The thought process observed in our interviews was as follows: the current organizations are too unprofessional so we're better off starting our own. Multiple professionals expressed their interesting in starting new Islamic nonprofits to meet needs currently underserved or ignored. This phenomenon might be described as being "compelled" to entrepreneurship in the Islamic social sector.

While this drive toward entrepreneurship does create opportunity and innovation, it also has negative consequences worth noting. Chief amongst these is a possible dilution of community resources. The community finds itself re-investing in start-up costs and in fixed operational costs (rent, administrative costs, etc.) rather than applying incremental funding to human capital and programming. Another drawback of "compelled entrepreneurship" is that new organizations face a steep learning curve – one that others may already have climbed – that might be avoided by better leveraging community experience.

**Figure 3a: Compelled to Entrepreneurship**

**A Negative Cycle**
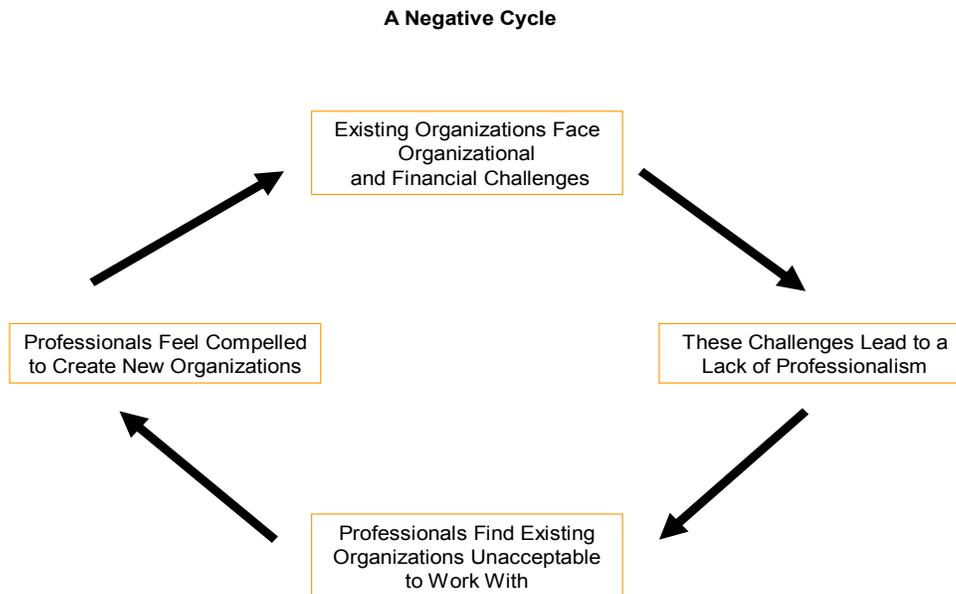


Competition in the social sector – just as in the commercial sector – can certainly be healthy and can lead to a strengthening of the overall industry. In our view, however, the current state of the Islamic nonprofit sector is one which calls for greater collaboration (and, in some cases, consolidation) rather than increased competition.

## III  ADDITIONAL OBSERVATIONS

**Need for Endowments**

Although we have argued that financial constraints are in fact less of a factor than they are often perceived to be, funding certainly is a challenge to the sector. Most Islamic nonprofits do not have endowments and are therefore forced to raise funds each year merely to meet their operational expenses. This lack of stable cash flow has a profound impact on the organization's ability for long-term planning. As pointed out in one interview, organizations are reluctant to create staff positions which they are not sure they will be able to continue funding in future years.

The reasons behind the lack of endowments are many. One reason is a lack of organizational savvy or appreciation of the importance of having endowments. Another is the historic scarcity of investment opportunities consistent with Islamic law (which includes a prohibition of interest and other rules of investment). As the US Islamic finance industry develops, this scarcity of investment opportunities is being addressed and may become less of a constraint on the development of the Islamic nonprofit sector.

Notably, two of the organizations interviewed owned real estate investments that produced cash flow for the nonprofit. These institutions were able to plan more ambitious human capital investments (now and in the future) as supported by their predictable revenue streams.

**Limited Role of Islamophobia**

One surprising finding was that Islamophobia (anti-Muslim sentiment) was much less of a factor than expected. We expected that the current political environment of suspicion towards Muslims (including the federal government's closure of several Muslim charities on the basis of secret evidence) would be an important consideration preventing professionals from wanting to work at Islamic nonprofits. Only one out of the thirteen professionals interviewed, however, cited Islamophobia as a factor. Even the one who did cite it he said that he would like to work at an Islamic nonprofit nonetheless.

The limited discussion of Islamophobia in our interviews may at least partially be driven by a general reluctance to bring up the topic despite feeling it. It may also be that the professionals who chose to participate in the study are not the type of people who are daunted by Islamophobia. Nonetheless it is worth noting that anti-Muslim sentiment was less of a factor than expected.

## IV.    RECOMMENDATIONS

While the human capital deficit facing the Islamic nonprofit sector is daunting, much can be done to address it. Here we offer eight recommendations for leaders and boards of Islamic nonprofits seeking to improve their organizations and the sector at large.

The suggestions offered here do not require impractical levels of funding or radical changes in vision. By design, our suggestions are feasible within the sector's current constraints with a view toward beginning a long-term shift in human capital practices.

### 1. Conduct regular audits of the organization's professionalism

As discussed above, a perceived lack of professionalism is the single most critical factor keeping professionals from considering careers in the Islamic nonprofit sector. One simple way to begin raising standards of professionalism is through regular (twice a year, for example) audits of the organization's professionalism.

The audit can cover a range of issues from strategic clarity to simple operations. Some examples of audit activities include:

- Ask each staff member what their role and responsibilities are. Ask board members and colleagues as well to ensure that each person's role is well defined and broadly understood.
- Create a performance review system (even a simple one) for both staff and board members to reflect on their performance
- Develop a system of checks and balances to ensure that everyone follows up on their commitments. If a board member commits to doing something, write a letter to remind him or her.
- Write a letter to the organization as a community member with a question or a need. See if/when the organization responds to you. Do the same with a phone call.

Creating a culture of professionalism in the sector can break the negative cycle of "compelled" entrepreneurship. As illustrated in the figure below, increased professionalism can result in a positive cycle by which human capital is attracted to the sector.

**Figure 3b: Positive Cycle of Professionalism**

Positive Cycle of Professionalism

```
              ┌─────────────────────────┐
              │ Existing Organizations  │
        ┌────▶│ Address Challenges in   │────┐
        │     │ Professional Manner     │    │
        │     └─────────────────────────┘    ▼
┌───────────────────┐          ┌───────────────────────────┐
│ Professionals Join│          │ Problem Solving Promotes a │
│ and Strengthen    │          │ Culture of Professionalism │
│ Existing          │          └───────────────────────────┘
│ Organizations     │                        │
└───────────────────┘                        ▼
        ▲     ┌─────────────────────────┐    
        │     │ Professionals Are       │◀───┘
        └─────│ Attracted to Working    │
              │ with Existing           │
              │ Organizations           │
              └─────────────────────────┘
```
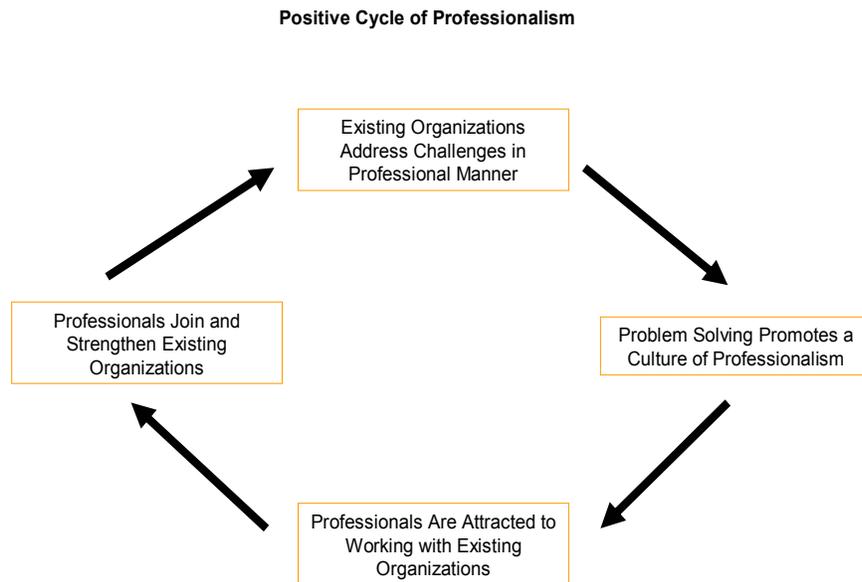
## 2. Adjust the allocation of funds between physical assets and human capital

Review how much the organization spends in four areas: maintaining physical assets (maintenance costs), enhancing physical assets (capital projects), maintaining human capital (basic salary/benefits of staff) and enhancing human capital (training and development, additional staff).

Does the organization's allocation of funds reflect its espoused values? Does the way it prioritize uses of funds align with the community's priority of needs? Does how we spend reflect our beliefs of what we "really need"?

**3. Frame staff positions as entrepreneurial opportunities**

As noted above, professionals drawn to the Islamic nonprofit sector often seek entrepreneurial opportunities that promise significant autonomy. It seems advisable for existing organizations to frame new (and even current) staff positions as entrepreneurial roles that allow a professional to build an enterprise. They may even develop subsidiary organizations with separate governance structures to give professional managers enhanced flexibility. In such circumstances boards must recognize that their role is to provide oversight but not to micromanage. Professionals, at the same time, must recognize that they must lead within the framework of the organization.

While taking a more entrepreneurial view toward staff positions may initially be uncomfortable, overall it can benefit the community by reducing the "compulsion" to start new organizations which often dilute community resources.

**4. Share physical resources between organizations**

Existing organizations would be well-served to explore ways to share physical resources. Such sharing would allow more funds to be directed to human capital and organizational activities.

One area of opportunity, for example, is the consolidation of fixed costs between a mosque and a social services organization. Instead of maintaining its own office, the social services organization could use space at the mosque during (even paying a fee) and devote saved resources to human capital or to programming.

**5. Develop regional staff positions jointly funded by multiple organizations**

A further level of coordination would be to develop regional staff positions jointly funded by multiple organizations. Two simple example of this would be a single administrative

assistant (or even a telephone answering service) or single media relations professional for three small local mosques. Perhaps no single institution could afford such a staff member but together the three can fund it and all benefit from his or her efforts.

Another key benefit of establishing joint positions (especially at more senior levels) is its impact in creating a professional development path. A career path beginning at the local level and rising to the regional one can be charted by aspiring professionals and an Islamic non-profit career can seem less like a "dead-end job."

## 6. Centrally publicize listing of professional opportunities

Every staff member (or former staff member) with whom we spoke was hired through a networked job search. None was hired through a publicized job opening. Interestingly, we heard board members cite a scarcity of qualified professionals while at the same time hearing qualified professionals complain of the scarcity of publicized opportunities.

One simple way to better connect the "demand" and "supply" sides of the market would be through a centralized listing of professional opportunities. The Islamic Society of North America (ISNA) appears to have begun such an effort by listing non-ISNA opportunities on its website. More can be done, however, to create a centralized posting site for professional opportunities in the sector.

## 7. Build awareness of and establish endowments for staff and operational expenses

Although it may take several years for an organization to develop a large enough endowment to fund staff positions, the effort to build endowments can begin today. The first step is to make board members, leaders and the broader community aware of the impact an endowment can have on the organization. This can be achieved through simple presentations and discussions. Importantly, the practice of creating endowments exists throughout Islamic history through the institution of *awqaf* (charitable trusts). Creating an endowment is a measure that embraces both the Islamic tradition and the community's current needs.

Once the awareness building campaign is initiated, the organization can begin the process of legally establishing the trust and contributing funds to it. Investment firms can be contracted to manage the trust's assets according to Islamic principles even if the initial asset base is small. Having the structure in place can help an organization make endowment-building an ongoing effort.

## 8. Develop short-term professional service opportunities

Recognizing the challenges in establishing permanent staff positions, Islamic nonprofits might consider developing one and two-year professional service opportunities for young professionals. These opportunities, based on the Teach for America or CityYear model, could give recent graduates an opportunity for leadership, service and impact very early in their careers. A well-managed program can ensure that each participant is able to produce measurable and meaningful results that will provide both a gratifying experience and an impressive professional experience. If framed properly this experience can help young professionals stand out in applications to graduate/professional school or to permanent positions in nonprofit or corporate settings.

**Figure 4: Summary of Recommendations**

| Addressing the Human Capital Gap |
|---|
| <ul><li>**Conduct regular audits of the organization's professionalism**</li><li>**Adjust the allocation of funds between physical assets and human capital**</li><li>**Frame staff positions as entrepreneurial opportunities**</li><li>**Share physical resources between organizations.**</li><li>**Develop regional staff positions jointly funded by multiple organizations**</li><li>**Centrally publicize listing of professional opportunities**</li><li>**Build awareness of and establish endowments for staff and operational expenses**</li><li>**Develop short-term professional service opportunities**</li></ul> |

**CONCLUSION**

All communities have their growing pains and the Muslim community in America is no exception. As seen in this study, the human capital deficit is one issue at the heart of the community's development.

One interviewee, speaking of his own organization, said "We… have no choice but to make sure this organization succeeds." His sentiment holds true for the sector as a whole – in many ways it has no choice but to make sure the human capital challenge is addressed. We hope this study will help the community engage the issue.

*Core Interview Questions*

Below are the core interview questions used in our research. Actual interviews included many additional questions, however, based on initial responses provided.

Questions for Muslim Professionals

1) Please tell me a bit about your professional/academic background.

2) What attracts you to the mission of Islamic non-profit organizations?

3) When did your interest/affiliation with Islamic nonprofits begin?

4) Have you ever considered a career with Islamic nonprofits? If so, what type of organization?

5) Have you ever interviewed/worked professionally with INP? If so, what organization(s) and in what capacity?

6) What reservations do you have about working at an INP?

7) What would it take to make you comfortable in choosing a career with an INP? What changes would need to take place?

8) In your opinion, why do INP struggle to attract and retain professional talent?

Questions for Board Members/Leaders

1) How long have you been a board member/leader of an Islamic nonprofit (INP)?

2) What are the mission and main activities of the organization?

3) Do you currently have full-time staff? If so, where did you find the staff and how did you hire them?

4) In an ideal world, would you like to expand your staff? If so, what positions would you like to fill?

5) What skills/background would you be looking for in hiring this staff?

6) What constraints prevent you from hiring the staff you would ideally like to have?

7) Why, in your opinion, do Islamic nonprofits struggle to attract and retain professional talent?

**About the Institute for Social Policy and Understanding**

The Institute for Social Policy and Understanding (ISPU) is an independent and nonprofit organization committed to solving critical social problems in the United States through education, research, training, and policy analysis. ISPU provides cutting-edge analysis and policy solutions through publications, public events, media commentary, and community research. Major areas of focus include domestic policy, economy, health, education, environment, and foreign policy. Since our inception in 2002, ISPU's research aims to increase understanding of key domestic and foreign policy issues and how they impact various communities in the United States.

US society is far from being monolithic, whether culturally, socially or politically. It is imperative that the thoughts and insights of each aspect of this heterogeneity play a contributory role in the discourse and debate of issues that affect all Americans. ISPU was established and premised on the idea that each of these communities must address, debate, and contribute to the pressing issues facing our nation. It is our hope that this effort will give voice to creative new ideas and provide an alternative perspective to the current policy-making echelons of the political, academic, media and public-relations arenas of the United States. Through this unique approach, ISPU will produce scholarly publications that build on the ideas of the scholarly community. Optimal analysis and treatment of social issues mandates a comprehensive study from several different and diverse backgrounds.

As social challenges become more complex and interwoven, ISPU is unique in its ability to bring this new approach to the human and social problems facing our country. Our multidisciplinary work in partnership with universities and other research institutes serves to build understanding and create programs that effect lasting social change.

Further information about ISPU can be obtained from our website at www.ispu.us