

Going Fractional: Framing Nonprofit Fractional Leadership



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Emily Sarmiento, Founder & Fractional Executive
Leading Edge Impact, LLC

www.leadingedgeimpact.com



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I M P A C T

Intended participants: Decision-makers (executives, board directors) that influence nonprofit leadership staffing choices.

After this session, participants will be able to:

- Distinguish fractional leadership from other models.
- Articulate points of unique fractional value proposition.
- Identify factors to evaluate and customize fractional solutions for a nonprofit.
- Understand essential steps for a successful transition to fractional leadership roles.

In 2020, I was headhunted to become the fourth CEO of an INGO US office startup in two years. It was an enormous challenge on multiple levels, which I took on during a season when I needed a change.

My career until that point had been in large, established INGOs. These provided a consistent staffing model of full-time employees and occasional project consultants.

As CEO, I employed the approach I knew to attract the best talent possible to meet demands. Sourcing and retaining individuals at what we could afford to pay was a stressor and a drain on cash.

After a three-year term, I realized two things as I hit burnout and stepped out. First, I had identified my own skills gaps I wanted to close. Second, I knew there had to be a better way to staff a startup organization than I had just done.

Both reflections led me to spend the next nearly two years studying, testing, and directly proving what I could have done differently if I had known then what I know now about fractional leadership.



These are the more traditional models for engaging expertise and work in the sector.

Employees - individuals retained in exchange for wages and benefits (reported on W2s)

- **Executive** - top-level organizational or functional employee
- **Staff** - a non-executive employee
- **Interim** - an employee serving during another employee's absence

Contractors - individuals retained in exchange for contract payment (reported on 1099s)

- **Consultant** - an expert retained for a particular assignment or project
- **Advisor** - an expert retained to provide specialist advice over time
- **Interim** - an expert serving during an employee's absence



Traditional roles are often characterized by:

- **Payment** - wage or contract
- **Level** - executive or non-executive
- **Duration** - temporary, interim, or permanent/long-term
- **Relative position** - operating from inside or outside the organization
- **Time invested** - part- or full-time, where part-time roles tend to be non-executive
 - Full-time Equivalent (FTE) - 40 hours a week x 52 weeks a year = 2,080 hours on average

Note [IRS rules](#) for determining worker classification. This presentation does not constitute legal or tax advice. It is recommended that you seek advice from a legal and/or tax professional as you consider new staffing models.

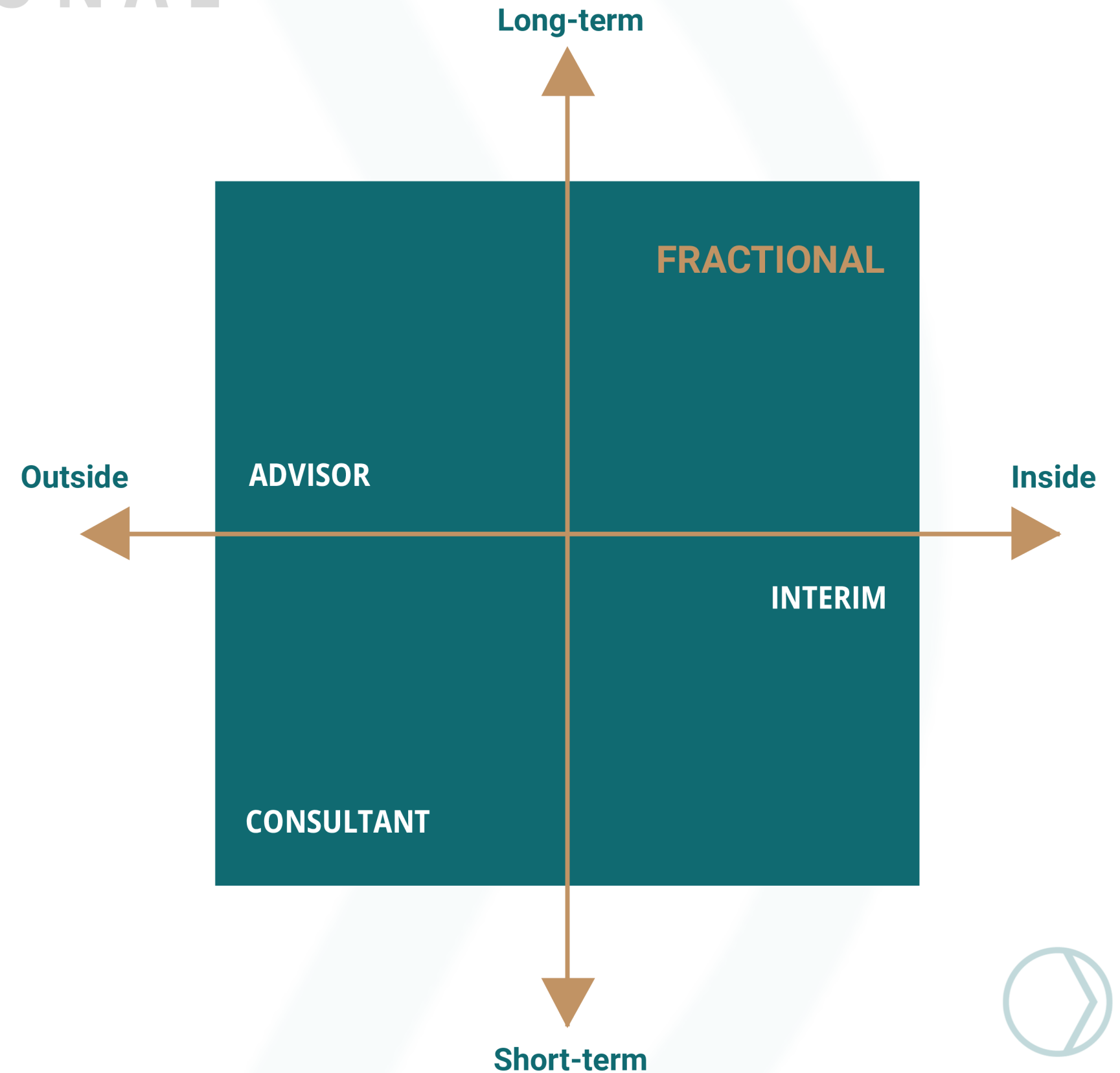


Fractional leaders are long-term, part-time executives embedded within organizations.

Fractionals employ an owner's mindset and lead, supervise, and deliver work just like traditional, full-time executives.

They may be employees or contractors.

For this presentation, we'll assume most fractional roles are retained to operate with independence, serving multiple nonprofit clients at once, and are therefore categorized as 1099 contractors.



Fractional Advocates



Karina Mikhili, Fractional COO
& Founder, Fractionals United

Training, connecting, and advocating for fractionals at large



John Arms, Fractional CMO
& Co-Founder, Voyageur Univ.



Vicki Burkhardt, CEO
The More Than Giving Co.

Fractional nonprofit staffing



**While fractional leadership is not new,
few resources explain its application in the social sector.**

This project aspires to help change that through instructive content
that aids adoption of social sector fractional leadership.

Diagnosis: The social sector needs new leadership staffing models that adequately respond to pervasive financial and human constraints, especially for small and medium (SM) nonprofit organizations (NPO).

Evidence:

- Number of SM NPO
- Average budget size
- Trends:
 - Talent turnover and burnout
 - Generational shifts in work
 - Environmental shifts (e.g., federal changes)

Impact Goal: Increase the market for nonprofit fractional leadership.

- Intermediate outcome: Stimulate demand for fractional nonprofit executive leadership.
- Long-term outcome: Encourage a supply of talented leaders to choose fractional roles as demand increases.

Theory of Change: If more leaders understand fractional leadership's value proposition and strategy for successful implementation, they will pursue it as an attractive alternative. This will improve how individuals and organizations sustain their missional work to achieve social change.

Success Metrics: An increasing number of social sector executives and board leaders...

- learning about *measure: webinar attendees, information downloads*
- customizing *measure: consultations, self-reporting by survey*
- implementing *measure: self-reporting by survey*

...fractional leadership solutions for their nonprofit organizations.

Data on Overall Fractional Trends



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& Founder, Fractionals United



John Arms, Fractional CMO
& Co-Founder, Voyager Univ.



**FRAK Conference &
State of Fractional Annual Report**

Professionals moving to fractional leadership frequently share common characteristics.

Those shifting to fractional assignments and portfolio careers:

- Are confident in their skills and marketability.
- Want to work for organizations and projects on terms they set.
- Are no longer willing to depend on a volatile marketplace given to layoffs.

They tend to be independent, risk-tolerant, and highly specialized in their field.

Fractional leaders know their sector well and tend to have 15-20 years of experience across 3-5 organizations, or more.

This means they frequently:

- Understand what's noise and what's important.
- Know how to connect in, learn, diagnose, and move quickly.
- Have clear frameworks and multiple mental models to draw upon.

They are naturally positioned to focus where needed and deliver value more quickly.

Fractional leaders tend to enjoy learning and giving back.

Those drawn to fractional leadership often:

- Realize they like variety and fresh challenges.
- Want to build their knowledge and experience base continuously.
- Are at a point in their career where they enjoy sharing from their experiences.

This characterizes them as lifelong learners and natural capacity-builders.

Summarizing, proven fractional leaders are usually:

- Independent, risk-tolerant, with a high level of expertise.
- Able to focus and deliver value quickly.
- Lifelong learners and capacity builders.

Many fractionals enter challenging environments without fear of negative impacts on their career, quickly and dramatically improve the situation, train and mentor others, and enjoy doing it.

Reflect

- In what ways might fractional leadership be a function of systemic privilege?
- How might an organization committed to social justice weigh fractional hires?
- How might an individual committed to social justice select (or decline) fractional roles?

As shared, I hit burnout while in my full-time CEO role. I had spent more than two decades in INGOs, and my burnout stemmed in part from a dissonance I felt with my more mature values. I could no longer justify colonized, exploitative approaches, and believed I needed to take a step back from some systems that had shaped me.

In transitioning to fractional work, I committed to supporting truly community-led organizations and the next generation of nonprofit leaders. I wanted to offer the best of my experiences in global and billion-dollar NGOs to grassroots leaders on the front lines, helping them persevere in their change visions and on their terms.

One of the joys of my career so far: I have realized my goal of serving diverse NextGen leaders of community-based organizations, many with deeply rooted social justice values and innovative visions for change.

Going fractional has allowed me to redeem and repurpose my privilege in service to others.



In traditional employment models, total compensation and talent retention expectations have become cost-prohibitive in many nonprofits. This includes:

- Salary, with annual cost-of-living adjustment (COLA) and/or merit increases
- Employer payroll taxes
- Benefits: Health, Vision, Dental, Disability, Life insurance
- Annual HSA deposit
- Annual 403b deposit or match
- Professional development expenses
- Technology expenses

A fractional leader retained as an independent contractor dramatically alters this cost structure.



Traditional Model

Even SM NPO pay a 40% markup on salary for taxes and benefits of full-time W2 employees.

COO

- Full time
- \$120,000/yr + 40% = \$168,000/yr, all in

Senior Manager of Operations

- Full time
- \$85,000/yr + 40% = \$119,000/yr, all in

Fractional Model

Assuming 1099 independent contractors, fractional staff account for their own taxes and benefits.

Fractional COO

- 25% time
- \$150/hr at 40 hrs/mo = \$72,000/yr

Fractional Senior Manager of Operations

- 50% time
- \$75/hr at 80 hrs/mo = \$72,000/yr

Successfully moving to fractional leadership requires thought and planning.

Keys to successfully customizing fractional leadership include:

1. Fractionalizing right-fit roles.
2. Outlining realistic expectations.
3. Setting up for measurable progress.
4. Starting with clear communications.
5. Ensuring natural reevaluation points.

Any leadership role can become fractional. However, fractional might not work well if:

- Workload demands more than a part-time, independent leader who self-determines how to work.
- The organizational commitment to using fractional for the long term is undetermined.
- The culture won't allow a leader to participate mainly in focused, functional work.

Well-proven fractional roles:

- Core roles: Chief Operations Officer, Chief of Staff
- Specialist exec roles: Chief Financial Officer, Chief Information Officer, Chief Marketing Officer

Fractional roles that may be nuanced and more situationally successful:

- Core roles: Executive Director, Chief Program Officer, Chief Development Officer

Define a fractional role description by focusing on:

- Where the capacity of other staff can be raised and multiplied with experienced leadership.
- Where injection of expertise is needed to solve a known gap—e.g., strategy, workflow, process.
- Where know-how can be most leveraged to reduce inefficiencies and achieve gains.

What may have to flex to make a fractional role feasible:

- The level of control over how work is performed (thereby determining whether W2 or 1099).
- Number and frequency of direct-report one-on-ones and meetings overall.
- Frequent participation in culture and team-building activities.
- Volume of stakeholder relationships to directly manage.
- Amount of travel.

Like any other, fractional leaders are best guided by SMART goals and objectives/key results—the “what.”

- Define annual and quarterly objectives for enduring responsibilities.
- Establish well-defined, time-bound project scopes.

Fractional leadership is especially good for building strategies and systems where outputs and outcomes indicate progress, such as strategies leading to:

- Increased net revenue or new partnerships.
- Increased Net Promoter Score.
- Number of risk items closed.
- Reduction in expenses.

Set up a fractional leader, their team(s), and other stakeholders for success as you:

- Define and articulate what fractional means in your context.
- Develop an onboarding outline for the fractional leader to speed their learning.
- Introduce the fractional role, responsibilities, and what the leader may *not* handle by design.
- Encourage the leader to publish their work practices—e.g., specific days or hours dedicated to your organization, how to communicate and schedule with them, how to reach them for emergencies, etc.

Fractional leadership may be a seasonal or permanent solution. Keep options open as you:

- Provide timely feedback on what is working and what is not.
- Contract with provisions for amendment or termination if the arrangement is not right.
- Contract for specific periods that force evaluation before extending, or include a provision for periodic review if the contract is open-ended.

To implement a fractional leadership approach within your organization:

- **Understand your drivers.** A fractional leadership role may help build a new function, scale an organization over time, or upgrade talent while retaining past team members. Analyze, test your logic, and be transparent about what you're trying to solve for in choosing fractional.
- **Build a plan for success.** As outlined, ensure:
 - A fit-for-purpose fractional definition.
 - Realistic role expectations.
 - A scope with measurable progress.
 - Intentional communications.
 - Clear reevaluation points.

To implement a fractional leadership approach within your organization:

- **Wisely source talent.** Not all experienced professionals are wired for fractional leadership. Vet candidates as seriously as any hire, directly or through a placement agency. Reflect not only on full-time professional experience but also on fractional experience and the candidate's strategies and systems for succeeding in a fractional role.
- **Gather stakeholder feedback.** Over time, intentionally reach out to those who engage with the fractional role to ensure the dynamic works for everyone. Especially seek feedback from full-time organizational roles that report to the fractional leader. Encourage honesty and curiosity about how to make the arrangement work well for everyone.