

# Staying Engaged, Stepping Up



**Succession planning and executive  
transition management for  
nonprofit boards of directors**

## The Annie E. Casey Foundation

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs.

By Tom Adams  
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### The Executive Transitions Monograph Series

*Staying Engaged, Stepping Up* is the fifth volume of a monograph series on executive transitions and executive transition management, funded by the Evelyn and Walter Haas, Jr. Family Fund and the Annie E. Casey Foundation. Other reports in this series include:

- *Capturing the Power of Leadership Change: Using Executive Transition Management to Strengthen Organizational Capacity*
- *Interim Executive Directors: The Power in the Middle*
- *Founder Transitions: Creating Good Endings and New Beginnings*
- *Up Next: Generation Change and the Leadership of Nonprofit Organizations*

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## 2 Staying Engaged

### How Boards Can Prepare for and Manage Transitions and Create Sustainable Leadership

Board chairs, officers, and members take justifiable pride in the success of the nonprofit organizations they serve. Even the most fiscally sound and competently managed organizations, however, may be vulnerable to the sudden or not-so-sudden departure of a talented leader or leaders. Leadership transitions can be challenging. They can be emotionally difficult and require more work for the board. And failed transitions can weaken an agency significantly.

**A 2004 study of 2,200 nonprofit leaders sponsored by the Annie E. Casey Foundation found that a stunning 65 percent of the executives surveyed intended to leave their positions by 2009.**

Despite these challenges, many leading nonprofit organizations are stepping up. They are finding that by creating succession plans and addressing transitions issues proactively, they can actually strengthen their infrastructure, sharpen their vision and direction, and ensure they are prepared for change. In addition to the Annie E. Casey Foundation, a number of foundations have

begun to understand the importance of these pivotal organizational moments, sometimes even providing modest resources to nonprofits to support transitions.

Given the growing number of aging Baby Boom leaders at the head of today's nonprofits, there is a good chance that your organization will face a leadership transition of its executive or management team during the next several years. A 2004 study of 2,200 nonprofit leaders sponsored by the Annie E. Casey Foundation found that a stunning 65 percent of the executives surveyed intended to leave their positions by 2009.

*Daring to Lead 2006: A National Study of Nonprofit Executive Leadership*, published by CompassPoint Nonprofit Services and The Meyer Foundation, had similar findings, noting 75 percent of the more than 1,900 executives polled planned to leave within five years.

For most nonprofit organizations, the question is not if they will experience a transition, but when. The challenge is to translate an often-intangible concern about transition ("I know we should be doing something about this.") into real preparation. In the face of a pos-

### What You'll Find in This Publication

In the first section, "Getting Ready: First Steps," you'll find an organizational self-assessment to give you a sense of how prepared you are to face a transition. This is coupled with an action plan that sets out a full year's worth of activities, broken into manageable pieces. This can provide a framework for establishing this topic in the broader work of your board.

The next two sections of the monograph, "Getting Ready to Go: Succession Planning" and "Good Endings, New Beginnings: Executive Transition Management," describe the basics of preparing for a leadership change. This includes the up front work of succession planning before a leader leaves, as well as executive transition management, an approach to managing the risks and amplifying the possibilities associated with the actual transition period itself. Here, you will find additional tools, as well as brief case studies of nonprofits and boards that have successfully navigated a transition.

This discussion is then rounded out by some thinking on the critical issues that may surround your leadership work—from diversity and cultural competence to organizational size and lifecycle. Finally, we provide a set of resources that can help you learn more about these topics and help you on the way to preparing for your next transition and for strengthening your organization and its vital work.

sible succession or transition, you and your board will likely have to raise your level of involvement. You will have to become engaged with your organization, perhaps at a deeper-than-normal level. These moments of change represent critical, even pivotal chances to consider mission and strategy. They are exciting opportunities to prepare your organization for the future and begin to take the steps necessary to realize that vision.

Appropriate for most nonprofits, but particularly useful for small to mid-size agencies, this publication will provide you with a set of practical tools and resources to help you engage your leadership transition issues and prepare for one of the most important decisions your board will be required to make.

Recruiting, developing, and retaining effective leadership is a critical competency of effective organizations. This may seem obvious, but many successful boards

**All too often, leadership transition planning is something that board members mean to do, but don't get around to.**

and organizations can focus on traditional fiduciary and other strategic concerns without a close analysis of the leaders involved. Our research and experience suggest that there is some basic information about this work available (see “For More

Information”). The challenge for boards to getting to that plan is to take up this concern in a meaningful, time-efficient manner. To that end, we present two helpful tools to get you and your board started.

### A Practical Self-Assessment

All too often, leadership transition planning is something that board members mean to do, but don't get around to. Consciously or unconsciously, you may be unaware of the level of risk your organization may face if the current leader leaves. Your board may be relatively prepared. On the other hand, it may not. In still other cases, you may have a nagging suspicion (or perhaps a real clarity) that the talents of the current executive director are not a good match for the future needs of the organization. The risks associated with a transition in these cases may be exacerbated if the rest of the organization's leadership is not ready for a change.

**To help you get a sense of your risk level, we have developed this brief assessment. Place a yes or no after each statement, tally the number of no's, and see how you did on page 4.**

- |   |                              |                             |
|---|------------------------------|-----------------------------|
| 1) Our organization has a strategic plan.   | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 2) Our strategic plan includes sections on leadership and/or human capital development.   | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 3) Our organization has a written emergency succession plan.  | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 4) Our budget designates more than one percent of revenues for board or staff development.  | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 5) Our executive has been in his or her position fewer than seven years.  | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 6) Our executive director has said either formally or informally that he/she plans to stay with the organization for four or more years.  | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 7) Our executive shares responsibility for fundraising or the relationships we need for fundraising with other staff and board members.   | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 8) Our board chair has served less than five consecutive years.   | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 9) Our board has well-defined term limits.  | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 10) Most of our board members have served fewer than six years.   | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 11) Our board represents a level of economic, cultural, and/or racial diversity appropriate to our mission and/or found in our community. | yes <input type="checkbox"/> | no <input type="checkbox"/> |
| 12) Our board has a committee or designated group responsible for identifying, recruiting, and supporting new board members.              | yes <input type="checkbox"/> | no <input type="checkbox"/> |

## Reviewing Your Assessment

If you answered “no” to four or more of the questions on page 3, your organization may be at risk for damage in the wake of a departing leader. You have no control over some variables, such as how long your executive director has been at the helm. However, working on the others—for example, creating a strategic plan that addresses leadership issues or investigating who holds many of the organization’s primary fundraising relationships—may help you prevent a wrenching transition. In the following section, we provide some ideas about how you might begin placing succession issues like these on the board’s agenda and ensuring that they receive the board attention they require.

## A Yearlong Action Plan for Better Leadership

This brief action plan sets out a manageable set of activities that can help your organization put leadership on the board’s agenda in a time-sensitive and appropriate manner.

### Quarter 1

Convene a few key board members and your executive director and conduct a survey and analysis of your leadership landscape. Who are the people and what are the practices that currently support leadership in your organization? What’s working well? Where are you most vulnerable to a planned or unplanned loss of a leader from the staff or board? Be specific about the assets, the risks, and the potential impact of these transitions.

### Quarter 2

Plan two, two-hour conversations—one with the staff (or the management team in larger organizations) and one with just the board (or an appropriate committee of the board)—about the results of your leadership landscape survey. Summarize the results of the conversation and set two action steps as follow-up, one for the staff and one for the board. Action steps might include:

- a) Selecting one key position (most likely the executive director) and developing a cross-training plan to develop other staff or board in key functions of the position;
- b) Doing a profile of the board’s leadership assets and characteristics; and
- c) Considering term limits for the board or reviewing the impact of current term limits on your capacity over time.

### Quarter 3

If your assessment indicates it, have a conversation with your executive director and/or any board leader serving in a position for more than five years about their expected tenure and building the capacity of others to carry out their key duties. Make clear ahead of time that this is not a “you-need-to-leave” conversation. Rather, it is a check-in to develop shared aspirations about future leadership and how to prepare for unplanned absences.

### Quarter 4

Review your emergency succession plan and update it. If you don’t have one, develop one. For a sample emergency succession plan developed by CompassPoint Nonprofit Services, please visit [www.compasspoint.com](http://www.compasspoint.com). Or you can order an easy-to-adapt template and CD-Rom workbook from TransitionGuides. Please visit [www.transitionguides.com](http://www.transitionguides.com).

## BONUS ACTIVITIES

- Run a “succession fire drill.” In an executive session of the board, pretend your executive director and/or board chair both announce they are leaving in 60 days. What would you do? What would the impact be? How prepared are you?
- Invite a colleague on another board that recently went through an executive transition to speak to the executive committee or full board about the organization’s experience. Debrief the presentation.
- Approve a sabbatical for your longtime executive or a longtime board chair/officer and use the absence to provide expanded leadership opportunities for board and/or staff. Have a facilitated discussion among all involved about the goals for the sabbatical before it is launched and about the lessons from the experience when completed. Report useful lessons to board and staff.
- Review the budget and see how much money and time are set aside for staff and board development. Commit to doubling it for the next two years and appoint a board-staff task force to plan for how to use the resources. Set goals/results for increased staff and board development, and report back on the concrete effect the investment had on mission performance.

While each organization is unique, there are a common set of succession planning and transition issues and a relatively predictable process an agency can follow to sustain its leadership over time.

### **Succession planning can be considered in several ways.**

We begin our discussion here with succession planning, the activities done in

advance to prepare for a prospective transition. This is followed by an extended discussion of executive transition management (ETM), the more intensive work that follows an executive director's decision to leave or the board's decision to seek a new leader.

### **Multiple Approaches to Succession Planning**

Succession planning can be considered in several ways. It can be viewed as a risk management strategy, the proactive preparation for an emergency transition due to the unexpected departure of an organization's leader. It can be approached as pre-preparation planning for an executive director who has said he or she will leave in a number of years. Finally, succession planning can be placed in the context of strategic planning, part of a broader effort to develop leaders throughout an organization. Each of these approaches can have powerful advantages.

In our experience, the most effective way to help an organization begin to take a serious look at succession planning is to develop an emergency succession plan. For some, this can be a kind of emergency preparedness exercise. For others, it has the feel of estate planning. Notes Troy Chapman, an attorney and founder and former director of Executive Leadership Services at the Nonprofit Support Center in New York City, "It's like doing a will. People don't like doing wills, but they know it's important, if not a priority."

An emergency succession plan names candidates who can replace the current executive director (or other leader) on either an interim or permanent basis, and sustain an organization through a transition crisis. It also clearly defines where the lines of authority will lie after a leader's departure. Perhaps just as importantly, creating an emergency succession plan can start a dialogue among board members and the executive director about the importance of managing leadership transitions proactively.

### **Succession Planning on Your Own**

If your organization has a positive track record in developing strategic and annual plans, developing a succession plan on your own is quite doable. First, answer some basic questions:

- 1) Why is your organization considering succession planning?
- 2) Do you have a clear idea of what a successful succession would look like?
- 3) Who from the board and staff are available to and qualified to lead this effort?
- 4) Are the key board leaders prepared for this work or do we need to do some pre-planning to reduce anxieties and clarify roles?

The answers to these questions will help you decide whether to work on an emergency succession plan, integrate leader development into your strategic plan, or begin preparing the organization for the departure of a long-term executive or founder in a few years.

Developing an emergency succession plan is fairly straightforward and usually takes 15-20 hours of time spread over a few months. You can find examples on several websites ([www.compasspoint.org](http://www.compasspoint.org) or [www.supportcenter.org](http://www.supportcenter.org)), or you can purchase a workbook and CD with a template ([www.transitionguides.com](http://www.transitionguides.com)). You may also want to consult with a person trusted by the executive and board who has human resource and nonprofit leadership experience.

Departure-defined succession planning is considerably more challenging to do on your own. It requires the ability to step back and look with fresh eyes at the organization and to deal with a range of emotional and organizational issues. Again, it can be useful to have someone with organizational development experience—but not too involved with the organization—facilitate an organizational self-assessment and engage board and staff in looking at the current executive's desired legacy and organizational values the executive and board feel necessary to be sustained.

Similarly, a strategic leadership development plan requires significant experience in human resources and organizational development. You may have this capability in a board member. If not, it probably makes sense to look for a consultant with these kinds of skills who can help.

Sometimes, when a founder or long-term leader anticipates leaving an organization, he/she will initiate what some call a departure-defined succession plan. This prepares the agency for the transition by passing on the leader's skills, knowledge, and key relationships to other individuals within the organization. It may focus on developing a specifically named successor and may work to develop the leadership capacity of that person, as well as other leaders in the organization.

Perhaps the most powerful and comprehensive approach is to create a strategic leader development succession plan. This focuses on developing staff at all levels to take on greater responsibility and improve performance over time. This broader concern for leadership development enables an organization to identify and nurture leaders inside their agencies, leaders who may ultimately be prepared to take on the top role. While hiring from within may not be possible for some, particularly smaller organizations, this work, nevertheless, can help an organization of any size attract and retain talented people. Where possible, this work should be integrated with any broader strategic and/or business planning processes. Thus, when the organization has determined its future focus and strategies for accomplishing its goals, it can then assess the skills, experience, and abilities among staff and board needed to achieve those goals. Looking ahead, the organization can examine and ultimately implement a variety of training or education opportunities to build needed leadership capacity. Having a budget allocation or other resources earmarked for leader development can help. This financial commitment also serves as an indicator of an organization's intention to treat ongoing leader development as a core value and practice.

One of the biggest challenges for small nonprofits in taking on this broader approach to leadership development, particularly as it relates to the executive role, is that they are "leader dependent," says Tom Gilmore, author of *Making a Leadership Change* and Vice President of the Center for Applied Research in Philadelphia. Most nonprofit organizations are not big enough to have two people with sufficient talent or ego to serve in the top job. Strategic leadership development that seeks to prepare a successor from within the ranks may not be possible.

## Unhappy Endings

According to *Daring to Lead 2006: A National Study of Nonprofit Executive Leadership*, a recent report from CompassPoint Nonprofit Services and the Meyer Foundation, an executive is forced out or fired in an estimated 34 percent of nonprofit transitions. Dismissing an executive, for whatever reason, can be particularly challenging for boards and for the transition process more broadly. An outright confrontation with a CEO who is underperforming is not appealing. Many board members avoid the situation or quietly resign.

In addition to creating the threat of a wrongful termination lawsuit, firing an executive can lead to a sense of crisis, raising the transition stakes even higher. Often boards "don't know whether to hire first or plan first," says Jan Masaoka, former Executive Director of CompassPoint Nonprofit Services and the editor of Board Café, an e-newsletter for board leaders ([www.compasspoint.org/boardcafe/index.php](http://www.compasspoint.org/boardcafe/index.php)). "It's no wonder some boards make a weak hire when they feel rushed or under pressure."

In addition to pursuing the appropriate steps to lower the risk of a suit, boards can resist this pressure. They can communicate clearly with staff and stakeholders about the dismissal and find an appropriate interim executive director to stabilize the organization. From there, they can follow a more thoughtful transition process that prepares the agency for a more powerful future.

Alternatively, Gilmore suggests nonprofits think about leadership development in terms of "communities of practice," groups in and around the organization, in the "broader ecology," which might serve as potent sources of new leaders. "It isn't about finding an excellent head hunter," he says. "If you want to be proactive rather than passive and really use network theory, then the board needs to search collectively, conducting board meeting workshops, brainstorming for friends of friends of friends and tapping into other resources, like Bridgespan, on the Web." (See [www.bridgespan.org](http://www.bridgespan.org).)



## Case Study #1

**More Than an Insurance Policy***Los Angeles County Children's Planning Council, California*

At a 2004 board meeting, following a positive performance evaluation, Yolie Flores Aguilar, Executive Director of the Los Angeles County Children's Planning Council (LACCPC), announced that the organization needed to invest in leadership development to ensure that it would continue to be strong after she left. She wasn't announcing her intention to leave (and was still in the post almost two years later), but some of the Council's board members were stunned.

"It was a little shocking," recalls board member Sam Chan, PhD, District Chief at the Los Angeles County Department of Mental Health, "but I think we needed to be shocked out of our long-standing comfort zone as a successful board." Quite quickly, the group came to understand that Aguilar's comments were not cause for alarm, but rather an opportunity to think strategically about succession planning. A few weeks later, Aguilar attended a briefing at the Annie E. Casey Foundation about executive transitions. She later secured funding to support LACCPC's succession planning work and engaged CompassPoint Nonprofit Services in Northern California to help.

Aguilar—together with Viveka Chen, a CompassPoint Executive Transition consultant, Chan, and board member David Granis, President of Planning Company Associates—started by developing an emergency succession plan. This was divided into manageable tasks and monitored through conference calls every six weeks or so. With the document complete, Aguilar then sought and gained both the board's and Planning Council's approval.

As the work on the emergency succession plan wound down, the team then moved on to creating a longer-term "leadership sustainability" plan. CompassPoint provided an outline for this plan; and Aguilar, Granis, and Chan filled in the blanks, producing a rich 20+-page document. It describes the Council's current organizational capacities and leadership structure and competencies, as well as the Council's plans for the future, particularly a transition protocol. This work also helped to get the Council's strategic planning process under way.

**"It was a little shocking," recalls board member Sam Chan, PhD, District Chief at the Los Angeles County Department of Mental Health, "but I think we needed to be shocked out of our long-standing comfort zone as a successful board."**

"Through developing the sustainability plan," says Aguilar, "we learned that because the organization had grown so rapidly during the last two years, not everybody was on the same page. This whole process has helped us make sure people have a sense of the whole."

Chan notes that the work not only produced an "insurance policy" if Aguilar leaves, but something more strategic. "It gave us a way to take a more sophisticated approach to our leadership and staffing," he says, "and it reinforced how much we [as a board] share responsibility for running the organization."

Even more broadly, LACCPC has set a public standard for succession planning for a large number of nonprofits in Los Angeles. "In part because of our work," says Aguilar, "and the fact that the Planning Council includes 48 organizations, [a lot more agencies] are thinking about it today."

# 8 Good Endings and Beginnings\*

## Executive Transition Management

**ETM is a comprehensive strategy for managing the entire transition process from the current executive's departure to the new leader's successful launch.**

Whatever the period of early preparation or succession planning, the leader eventually is ready to leave, and the organization moves into a more intense and active transition period. This shifts the focus from planning to what we call executive transition management or ETM. A number of practitioners—including CompassPoint, TransitionGuides, and other transition consultants—have developed this unique approach to reducing the risks and maximizing the potential of the active transition period. This model combines traditional executive search and organizational development services in a way that can be tailored to the transition and broader needs of any agency.

ETM is a comprehensive strategy for managing the entire transition process from the current executive's departure to the new leader's successful launch. The result is a positive, forward-looking relationship between an executive who fits the organization's current and future leadership needs and an organization and board prepared to work with this talented new leader. ETM consists of a flexible set of practices that are widely adaptable, but that take place in three identifiable phases. (See below.)

- **PREPARE: Transition and Search Planning**

The ETM process begins with preliminary transition planning, sometimes, but not always, in collaboration with an outside consultant service provider. This preliminary planning ensures that an organization's executive leadership needs are addressed during the transition period. This process should include an organizational assessment, identifying the agency's strengths and challenges and confirming or clarifying the organization's strategic direction, along with any transition-associated implications (e.g., Is an interim executive needed?). It should also lay out the capacity-building efforts necessary to prepare the organization to provide a solid platform for the next director.

- **PIVOT: Search, Selection, and Organizational Preparation**

ETM activities in this middle phase generally include diligent and proactive outreach to establish a diverse group of qualified prospects, coordinating candidate recruitment and screening, preparing for and conducting interviews, and checking references. Ultimately, it also includes the board's ratification of a finalist, an employment offer, and the formal hire itself. The search and selection phase takes place within an organizational development framework. The objective is not only to find and hire a new executive, but also to prepare a strong organizational foundation from which the new executive can succeed.

It is important to note that a transition is both a time of organizational vulnerability and heightened opportunity. During a transition, organizations—their systems and culture—can become “unglued.” This may be disorienting, but it may also create conditions under which the organization can be improved and put back together by board and staff in new and exciting ways.

- **THRIVE: Post-Hire Launch and Support**

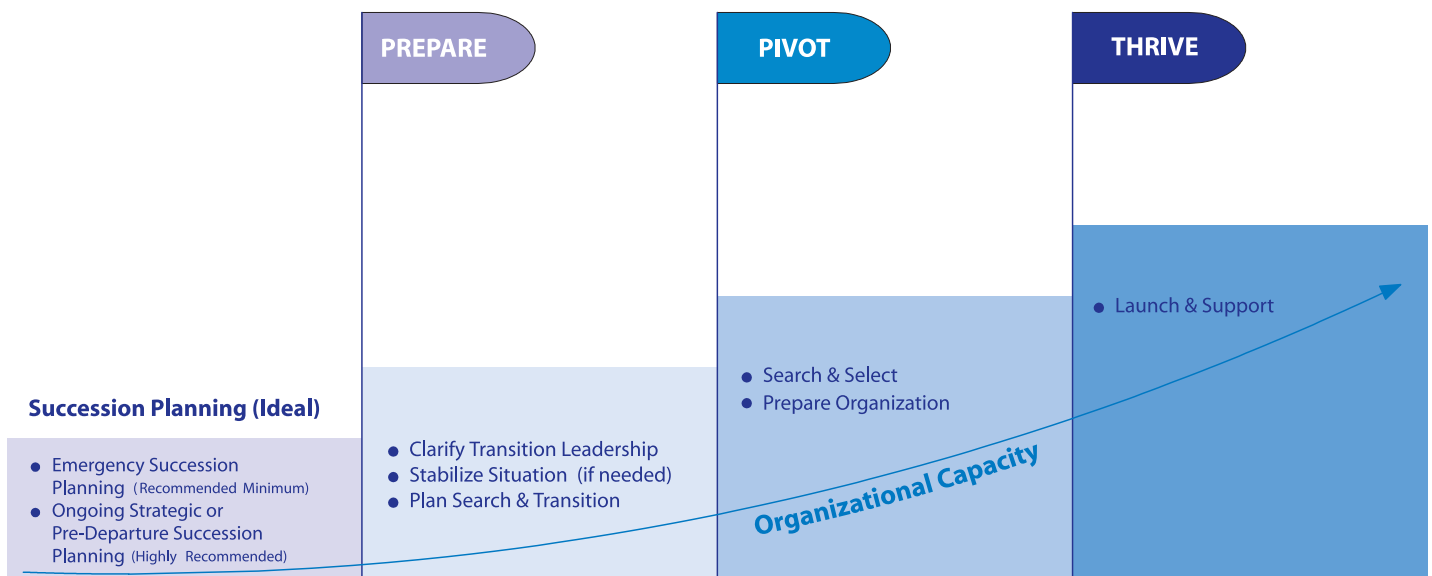
In this final phase, the organization plans and conducts an appropriate welcome for the new executive. The executive, in turn, develops an entry plan, a brief personal document outlining learning goals and relationship-building priorities. As part of a formal negotiation or social contract, the board and executive create a leadership agenda, a more public document that captures agreed-on priorities for the first 12 to 18 months. They become clear on their respective roles, responsibilities, and key expectations. They define systems for monitoring and evaluating board and executive performance.

At this point, a variety of capacity-building activities, from strategic review to visioning, may be continued from earlier phases or even introduced for the first time. It is also important to attend to the executive's and board's ongoing professional development needs.

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\*The idea of good endings and beginnings as central to successful transitions was developed by William Bridges in *Managing Transitions*, published by Addison-Wesley in 1991.

## Executive Succession & Transition Management



### Target Result:

A positive, forward-looking relationship between an executive who fits the current and future leadership needs of the organization and an organization (including the board) that is prepared to work with him/her.

## Transition Management on Your Own

If your organization is sound, your board is willing to commit the time and financial resources, and you have at least one board member who has significant experience with transitions, you may want to consider managing an executive transition on your own. But remember, some transitions and successions (e.g., those involving founders or long-term charismatic leaders) are more challenging than others and that most robust organizational assessments are better conducted with an outside consultant's help. If you do want to go it alone, you'll also want to make sure you have as many volunteer resources as possible to attend to the five hallmarks of a successful transition. These include:

- 1) Clarity about organizational direction and goals, and the financial and human resources to achieve the desired results.
- 2) A written plan and timeline for planning and conducting the search, managing key transition issues, and achieving a positive beginning with the new executive.
- 3) Regular and clear communication throughout the transition and search process with board, staff, and stakeholders that provides information and a timeline, offers opportunities for input, and reports progress.
- 4) A search, interview, and hiring process resulting in a finalist pool that meets the present and future needs of the organization, and a compensation plan commensurate with the local employment market.
- 5) A well-planned welcome and orientation for the new executive, and early development of a positive and focused board-executive working relationship with clear, mutual accountability.

To make this kind of transition possible, you will likely need considerable board resources, particularly at least one board member with professional human resources experience, and several board members willing and able to devote a significant investment of time and effort to make the planning and search successful. Many boards of smaller or mid-size organizations may want to consider outside help. This can vary from a soup-to-nuts transition consultation, including search and hire, to something more modest, such as several hours of coaching to help the board work through challenging issues, or "lighter" consulting to the board as the process unfolds.

## First Things First: What to Do in an Unplanned Transition

Sometimes an executive resigns unexpectedly or is terminated. What follows is checklist of what you and your board need to do in the first 72 hours when a transition isn't planned. The key first steps are clarifying who is in charge, how a successor will be selected, and communicating with board, staff, and key stakeholders. Of course, the outgoing executive's departure circumstances will influence what is indicated. Ideally, there is an emergency succession plan in place, which states how the board will operate. Whether there is a plan or not, key steps organizations should follow include:

- 1) Convene the executive committee or board to decide/affirm who is the acting executive.
- 2) Clarify the responsibilities of the acting executive and who on the board will provide supervision and support.
- 3) Clearly communicate to board and staff about a short-term plan and a timeline for developing a longer-term plan to find the next permanent executive.
- 4) Review and make changes to check-signing authority and related security issues.
- 5) Communicate with external stakeholders, including funders, about the circumstances of the departure and the interim plans.
- 6) If the unplanned absence is long-term or permanent, appoint a transition committee chair and committee and begin the broader work of assessing the organization and commencing an effective executive transition management process.



## Common Pitfalls

In conducting ETM, organizations often succumb to common mistakes you should seek to avoid.

1. **Lack of documentation.** In an unexpected or emergency departure, there are a variety of challenges. These are exacerbated, however, if the needed paperwork to enable the organization to continue to function (e.g., to formally lead the organization, write checks, approve payroll, etc.) are not in place. Getting this documentation in place can reassure staff and others and help prevent a difficult situation from becoming a crisis.
2. **Grooming the successor.** The selection of the new executive is the board's responsibility. Sometimes, however, an executive will informally groom his or her successor without the board's formal approval. This may lead to inappropriate expectations and ultimately resentment if the board passes over the "heir" in favor of another candidate. Making sure the board and executive are on the same page about succession can prevent these misunderstandings, which can result in the loss not only of the transitioning executive, but a valued staff member, as well.
3. **Rushing the transition.** Finding and hiring a new executive is time-consuming and challenging for boards. Given these and other challenges, board leaders understandably will often try to get a new leader in place as quickly as possible. Despite this sense of urgency, it is important to clarify the strengths, strategic direction, and the opportunities present at the time of transition. The rush to hire often results in an inappropriate choice, board-executive tensions and misunderstandings, and a short tenure for the new executive. For a variety of reasons, a strong board chair, says Lynne Molnar, Managing Director of the Executive Transition program of Third Sector New England, can be critical to the transition's success. Importantly, she says, an effective chair can "use his or her influence to slow down the process" and make the most of the transition.
4. **Looking back, not forward.** Organizations may seek simply to replace a successful executive or conversely, hire someone with the talents that the previous executive lacked. While a consideration of the outgoing's strengths and weaknesses may be helpful, it is more important for the board to hire the next leader with future strategic needs of the organization in mind.

This can open up the possibility of a whole range of candidates with skill sets and temperaments more suited to the work ahead—not behind.

5. **Not paying attention to the outgoing executive's role.** The way particularly charismatic or long-term leaders leave an organization can have important implications for the success of the next executive. Paying attention to the outgoing executive's role is important both in the final days before and after departure.

Before the executive leaves, it is important to balance the need to keep the departing leader informed and included in the process and ensuring the board is stepping up and managing the search and transition—all without undue or inappropriate influence from the outgoing executive. Remember, this can be an emotionally charged time for everyone—executive, board, and staff. Clear and regular communication is essential to sustaining stability and focus.

The period after the outgoing executive's departure is equally important. If the current leader "hangs around" too long either during the transition or perhaps on the board after the transition, he or she may cast an unhelpful shadow on the new executive's tenure. This can constrain the new leader's ability to make needed decisions and take firm control of the organization. On the other hand, if an executive, especially one popular with staff, leaves under strained conditions, the organization can lose key managers through the transition as well.

6. **Not paying attention to staff in the process.** Tom Gilmore, in a now out-of-print booklet from BoardSource called "Finding and Retaining Your Next Chief Executive," writes, "The only universally wrong step a board can take [and many do] is not to have thought through how the staff will be involved and be kept informed at all stages of the process." He suggests that staff be actively involved in the organizational or strategic assessment, suggesting possible candidates, and perhaps meeting candidates and offering advice. However, they should not play a formal role on the selection committee. To allay anxiety and concern, staff should also be informed of the process and overall timeline. Finally, he advocates for "honest communication" with weak internal candidates as early as possible. This conversation should focus particularly on the candidate's strengths and liabilities vis-à-vis the organization's future strategic challenges.

# 12 Beyond the Basics

## Critical Issues to Consider

In addition to understanding the nuts and bolts of succession planning and ETM, boards should be aware of a variety of critical issues that can have dramatic effects on both of these activities.

### Diversity and Cultural Competence

Board diversity can exert important effects on the succession or transition process, the success of the next leader, and an organization's long-term vitality. Although diversity among board members is a frequently lauded value, it translates into reality less often. The "ideal" diversity of a board will obviously vary depending upon an organization's mission and the community it serves. Representation of a variety of racial, ethnic, or language groups may be beneficial, or a strong representation from a particular group may be more helpful.

Succession planning or a leadership transition may bring questions of diversity into greater prominence. For example, if an organization serving a predominantly Latino population, seeks a Latino executive, but has a predominantly Anglo board, this may hinder its ability to identify and successfully recruit the executive it seeks. And even if a leader of color (and particularly a younger leader of color) is brought in, he or she may struggle to develop a comfortable and productive working relationship with that board.

***Transitions may amplify previously under-attended-to diversity issues, which require significant attention, but which also complicate and perhaps delay the transition process itself.***

and prefer to focus on other aspects of the transition. Conversely, transitions may amplify previously under-attended-to diversity issues, which require significant attention, but which also complicate and perhaps delay the transition process itself.

As Karen Gaskins Jones, principal of JLH Associates, a leading organizational development and diversity consultant, notes, transitions present a powerful "reflective moment." However, organizations may or may not be ready to take on these kinds of issues when presented in a transition (or perhaps in any) context. Some groups operate in a state of denial around diversity issues, believing "everything is fine,"

As with so many other issues surrounding this work, succession planning and related strategic planning activities can identify leadership and diversity challenges before the organization enters the stresses of a transition. Sustained and deliberate attention to issues of race and ethnicity (as well as gender, sexual orientation, disability, and other related concerns) among board and staff in this preparatory phase can then ensure a more productive transition and create an organization better able to support a new leader.

### Founders and Long-Term Executive Transitions

Increasingly common, these complex transitions pose a variety of special considerations for organizations planning a succession. For example, an executive who shares a long history with an organization may lead by way of well-established personal relationships with funders, board members, and prominent politicians in the local and broader communities. As a result, the organization may be vitally dependent upon these relationships. Should the executive leave without adequate attention to transferring these relationships, the organization's very survival may be in jeopardy.

Some long-term executives, especially founders, may also find it difficult to let go of the reins of leadership. Without a clearly defined, written plan describing an outgoing director's future relationship with the organization, conflict and confusion can arise when the time comes to pass on executive authority to someone new.

Likewise, board members may have become so used to the style of a particular leader, that they have no other model upon which to base their choice of a replacement. Without careful and conscious consideration of this issue, a board may commit itself to finding a clone of the person they are used to—an often-difficult effort that distracts the board from seeking a leader ready to take the organization forward. For a complete discussion of this topic, see the Casey Foundation monograph *Founder Transitions: Creating Good Endings and New Beginnings*, available at [www.aecf.org](http://www.aecf.org).

## The Generational Hand Off

As the large number of Baby Boom executives leave their jobs (and perhaps the sector) during the next decades, younger leaders will bring with them experience, vision, values, and leadership styles that in some ways differ substantially from those of the previous

**Younger leaders will bring with them experience, vision, values, and leadership styles that in some ways differ substantially from those of the previous generation.**

generation. Research sponsored by the Casey Foundation has found, for example, that younger leaders place greater importance on carving out more space/time for family and friends, and sometimes find that their commitment comes into question. They are less tolerant of micromanagement by executives than

are their older counterparts, and they prefer a decision-making model that gives staff more autonomy and freedom. Even at the highest leadership levels, they often look to collaborative models such as executive teams and co-directorships. For full discussion of this research, see *Up Next: Generation Change and the Leadership of Nonprofit Organizations*, available at [www.aecf.org](http://www.aecf.org).

All of these issues may be relevant for boards and organizations thinking about succession or facing a transition. While just as committed to social action, younger leaders will look and act differently. Board members, many of whom are closer in age to the large group of outgoing leaders, will have to open their imaginations to consider younger candidates and ensure their organizations get the leadership they need for the future.

## Organizational Size, Culture, and Fiscal Health

The way succession planning and transition management occur depends, to some extent, on the size, culture, and well-being of the organization involved. In a small nonprofit, for example, the board may be more engaged and hands-on in day-to-day management and decision-making—with all of the attendant stress and demands. A more established mid-size organization may be more likely to depend on staff to handle those

issues. Larger organizations can also support a layer of middle management where new leaders can develop. However, it is likely a mistake to assume that you will necessarily find your next executive director among your own staff. Most organizations, even relatively large ones, may need to go beyond their own boundaries to find new leadership at the very top.

Similarly, organizational cultures, which can often reflect the style and talents of an executive, will vary broadly as well. From this perspective, the leader's departure can offer an opportunity to examine and redefine the way the organization does its work. Some questions to consider:

- Where is your organization now versus where you want it to be?
- Is the structure working, or do you want to make changes?
- Is the way decisions are made and people held accountable effective, or do you need to reconsider those issues before searching for a new executive?

For example, a group's current "command and control" structure and culture may not be a good fit if your organization's future goals and direction require a more progressive, egalitarian, and participatory approach.

The health of an organization is often dependent upon its lifecycle stage, and this can also affect the kinds of issues considered during a leadership transition. For example, a volunteer-staffed organization in its initial, start-up period may want to consider the advantages and disadvantages of making the transition to a professional executive director and staff. More "mature" organizations may need leadership that can help them institutionalize the progress and energy created by a charismatic founder. Even more established groups may need to energize and reinvent ossified aspects of their programs or infrastructure to meet the requirements of new political realities or funding streams. In all of these cases, a transition presents an important opportunity for the board to find the right leadership for the present and future needs of the organization with which it is entrusted.

## Case Study #2

**Through Transition, Focus***Progreso Latino, Central Falls, Rhode Island*

Things were good at Progreso Latino, the largest nonprofit agency serving the Latino community in Rhode Island. After the board had replaced the agency's founder, the new executive director expanded available programs, strengthened the staff, increased accountability, and encouraged decision-making among program users. This work helped the agency begin to consolidate its infrastructure, and gain real momentum. Progreso Latino was also spending at a deficit, but amid this growth, this was a secondary concern. Then, in April 2005, difficult family issues suddenly required Progreso Latino's talented executive to resign his post.

The board was too shocked to respond quickly. It tapped a recently hired deputy director to step in temporarily to keep the agency functioning. As the board stepped up, however, it became more deeply enmeshed in, and expended considerable time on, the financial challenges facing the organization.

Eventually, with funding from the Rhode Island Foundation, Progreso Latino brought in John Padilla, a transition consultant with the nonprofit support organization Third Sector New England, to help the organization through the transition. His first recommendation: Consider a professional interim executive director (IED). This would give the board the ability to bring in someone experienced with tough financial issues and help prepare the agency for a new, permanent leader.

**It has been a challenging process, but in addition to strengthening Progreso Latino's long-term sustainability, it has had important residual effects. "The board is energized," reports Cuervo.**

Progreso Latino heeded Padilla's counsel and hired Chris Dame, an IED from Third Sector New England's pool of IEDs. He found a vital agency, but one that needed restructuring. "There are so many needs in our community," says Gonzalo Cuervo, Chair of the Progreso Latino board. "We had basically stretched ourselves too thin

trying to address them." After a thorough financial analysis of the agency, the board, with the help of Dame and Padilla, acted to get the organization on a solid financial footing. Specifically, it cut its annual \$1.7 million budget by \$200,000, curtailed certain services that were not self-supporting, and laid off several staff.

The agency is now operating in the black, which offered a much more attractive and manageable environment for Progreso Latino's new President/CEO, Ramon Martinez, a retired Air Force Colonel, who was recently hired with Padilla's support.

It has been a challenging process, but in addition to strengthening Progreso Latino's long-term sustainability, it has had important residual effects. "The board is energized," reports Cuervo. It is actively working on development, and the process has made clear the important fiduciary and other responsibilities that each board member must embrace.

"With a strong executive, it is easy to be on autopilot," he says, "to let him lead without the checks and balances. Our ED didn't do anything wrong, but we learned an important lesson [through the transition] about the importance of the board playing a more active role."



## Annie E. Casey Foundation Publications

To learn more about executive transitions and ETM, the Annie E. Casey Foundation and Evelyn and Walter Haas, Jr. Fund have developed a series of useful publications. These can be found online at: [www.aecf.org](http://www.aecf.org). They include:

### ***Capturing the Power of Leadership Change: Using Executive Transition Management to Strengthen Organizational Capacity***

This first “overview” volume of the Executive Transitions monograph series describes executive transition management and the support systems needed to help organizations survive and thrive before, during, and after a leadership transition.

### ***Interim Executive Directors: The Power in the Middle***

This paper explores the benefits and basics of using an interim ED in a leadership transition. It covers the issues that nonprofits should consider when weighing the use of an interim ED and provides a series of case studies that point to the advantages this specially trained leader can deliver in a difficult transition.

### ***Founder Transitions:***

#### ***Creating Good Endings and New Beginnings***

This guide examines the unique challenges presented by transitions involving founders or long-term executives. It provides clear advice for executives and their boards in confronting the complex issues these transitions present.

### ***Up Next: Generation Change and the Leadership of Nonprofit Organizations***

This monograph is based on two qualitative studies conducted by the Building Movement Project of the differences and similarities of how Baby Boom and Generation X leaders view leadership, transitions, and their work. It delivers a series of recommendations on how a variety of stakeholders can improve the handoff from this generation of leaders to the next.

### ***Nonprofit Executive Leadership and Transitions Survey 2004***

The largest of its kind, this survey of 2,200 nonprofit leaders provides a snapshot of how current executives view their future and what the implications may be for the nonprofit sector as a whole.

## Books, Articles, and Reports

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## Websites

### ***TransitionGuides (www.transitionguides.com)***

TransitionGuides is a collaborative association of consultants, management support organizations, and others who specialize in serving nonprofit organizations, their executives, and their board leaders during leadership transitions. The website has a wealth of tips, tools, and resources for boards considering or involved in succession planning and executive transition management.

### ***CompassPoint Nonprofit Services***

***(www.compasspoint.org)***. CompassPoint Nonprofit Services is a nonprofit training, consulting, and research organization with offices in San Francisco and Silicon Valley. Through a broad range of services, it provides nonprofits with the management tools, concepts, and strategies necessary to shape change in their communities. In the Executive Transitions section of the site, you can find articles, publications, and templates on a variety of succession and transition issues.

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