

Capturing the Power of Leadership Change

**Using Executive Transition Management
to Strengthen Organizational Capacity**



The Executive Transitions Monograph Series

"Capturing the Power of Leadership Change" is the first volume of a new monograph series on executive transitions and executive transition

management, funded by the Annie E. Casey Foundation and the Evelyn and Walter Haas, Jr. Fund. The series is a joint effort of TransitionGuides and CompassPoint Nonprofit Services.

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.

For more information, visit the Foundation's Web site at www.aecf.org.

The Evelyn and Walter Haas, Jr. Fund

The Haas, Jr. Fund is a family foundation dedicated to celebrating and building community. It seeks to create vibrant, safe neighborhoods that support the healthy development of young people and the well-being of their families. The Fund also seeks to strengthen the bonds of mutual respect among people from all walks of life to pursue common interests and contribute to the larger community. Through its grantmaking focused primarily in the San Francisco Bay Area, the Haas, Jr. Fund aspires to serve as a positive, unifying force for social change.

For more information, visit the Foundation's Web site at www.haasjr.org.

About CompassPoint's Executive Transitions

Executive Transitions is part of the Executive Leadership Services unit of CompassPoint Nonprofit Services, an organization that has served the training and consulting needs of Bay Area nonprofits for more than 25 years. The consultants of Executive Transitions are a carefully recruited team of experienced nonprofit executives. They have received special training in executive transition management (ETM) and executive search. Many also serve on boards of directors for area nonprofits. Tim Wolfred serves as director of the program, which has provided support to more than 160 nonprofit agencies in transition since 1998.

About TransitionGuides

TransitionGuides is a leader in the development and delivery of executive transition management (ETM) services around the country. It is a collaboration of experienced consulting firms with extensive track records in working with nonprofit organizations and leadership transitions. The TransitionGuides team offers a full range of ETM services to nonprofits in the Mid-Atlantic region and nationally and has collectively provided executive transition assistance to over 200 nonprofit organizations. Tom Adams is the president and senior managing partner of TransitionGuides.

Effective leadership is a common and critical element of successful organizations. Not surprisingly, the period of executive leadership transition—the departure of a current and the hiring of a new executive director or chief staff officer—is fraught with risk. Board leaders, in particular, fear transition because of the uncertainty it brings, the increase in their responsibility, and the challenges of hiring an appropriate successor. Poorly managed, these transitions too often occasion a crisis, leading to decreased organizational efficacy and even failure. Even well-established organizations can falter during and after a leadership change.

Though they happen infrequently to individual organizations, leadership transitions are increasingly common in the nonprofit sector. A 2000 study of 130 community-based grantees of the Annie E. Casey Foundation found that 85% of executives were likely to leave their positions before 2007. Similar surveys suggest that this is representative of a larger generational shift in the sector's leadership in the coming decade.

Link the negative outcomes associated with poor transitions and their increasing frequency, and one discovers a significant threat to the nonprofit sector's performance, a threat with serious and potentially disruptive implications for the delivery and quality of services for vulnerable populations, including disadvantaged children and families.

Investigating and improving leadership transitions

In 2000, the Casey Foundation launched an effort to better understand executive leadership transitions in nonprofit

organizations and explore the Foundation's role in helping its grantees move successfully through these difficult periods. The Foundation supported an 18-month research process that included a literature review, a national and three-city scan of available transition services, a grantee survey, 11 consultative sessions with nonprofit leaders and capacity building practitioners, case studies of founder executive leadership transitions, and hands-on practice with two management support organizations. The paper that follows represents the synthesis of much of what we have learned through this exploration.

Casey's initial investment has generated growing interest among groups of nonprofit executives, their boards, and funders. Workshops designed for founder executives considering a transition have been oversold. In foundation-supported programs in California and Maryland, demand for executive transition management (ETM) services and placement of interim executives doubled after each effort's first year and has continued to grow since then.

Seven funders have joined with Casey to launch an ETM initiative in Maryland. The New England Regional Area Grantmakers and several New England foundations have begun a formal ETM planning process. Exploratory program development conversations are also underway with funders in Washington, DC, New York City, and the Twin Cities, among others. Each time this work around transitions has moved forward, we have experienced growing demand and promising results.

Transitions: Prepare, pivot, and thrive

The Casey Foundation's research and experience to date suggests that executive transitions need not result in bad organizational outcomes. On the contrary, we have found that transitions are powerful—and under-realized—opportunities to strengthen nonprofits.¹

Proactively managed, leadership transitions provide a “pivotal moment.” Faced with a (sometimes disconcerting) pause in business as usual, organizations can re-examine current practices, positioning, even mission, direction, and vision. Boards, with expert support from ETM providers, can assess the situation, work through the hiring process, and implement strategies that enable an organization not only to survive a transition, but to thrive through it.

A developing model, hopeful results

An ETM model, first developed in the 1990's and now refined, has already been found to reduce the risks of transitions and strengthen organizational health and effectiveness. A 1997 study, for example, retrospectively analyzed a five-year capacity building and executive transition initiative conducted by the Neighborhood Reinvestment Corporation, a national nonprofit serving more than 200 housing and community development organizations across the U.S. This research found that these organizations had significant increases in executive tenure (from 4.3 to 5.7 years), “healthy” rankings (from 67% to 89%) and direct investment in communities served (from \$146.7 million to \$418.9 million).² More recent assessments of the ETM services of Compass-Point Nonprofit Services, a nonprofit training, consulting, and research organization with offices in San Francisco and Silicon Valley, and the Maryland

Association of Nonprofits, a regional association of grantmakers, point to similarly positive impacts and high levels of satisfaction with ETM service provision.³

ETM offers exciting potential as an entry point to a broad range of capacity building efforts. In addition to the outcomes described above, transition services have led to new Board leadership, sharpened strategic direction, improved financial management, led to new funding, and promoted thoughtful approaches to organizational restructuring and mergers. The potential of this intervention has encouraged the Casey Foundation to continue to track and learn about how ETM services sustain and enhance organizational effectiveness and about specific opportunities for capacity building during transition.

The following paper provides background on the challenges and opportunities associated with executive transitions and describes the model of ETM that has been in development during the last decade. Finally, it lays out a series of opportunities for funders and other partners to provide support for this developing service modality. We invite you to join us in this important work.

While not everyday occurrences, executive leadership transitions in nonprofit organizations are quite common. Surveys by Neighborhood Reinvestment, CompassPoint, and Maryland Nonprofits and an examination of 990 data on transitions in Baltimore and San Antonio indicate that 10% or more of nonprofits experience a leadership transition annually. If one considers the approximately 220,000 nonprofit organizations in the United States with budgets greater than \$100,000, this means there may be as many as 22,000 leadership transitions every year—considerable turnover with important implications for the sector as a whole.⁴

Change is coming

Recent research suggests that the incidence of nonprofit leadership transitions will likely increase during the next decade. As noted in the Executive Summary, a 2000 survey completed by 130 executive directors of Casey's community-based grantees reported that more than four out of five executives will likely leave their position by 2007.⁵ Three other surveys found that between 62% and 78% of responding executives of nonprofit organizations said they plan to leave their current positions within five years. And they may not be heading for other executive director jobs. A CompassPoint study of 137 Bay Area executive directors—of whom two-thirds were in their first executive director role—indicated that only 20% wished to take on another such job in the future.⁶ This reflects the acknowledged difficulty of the position. It also suggests a major hiring challenge in the years and decades ahead.

National demographic trends are part of this story. As baby boomers—who make up nearly half the current overall workforce—retire, leadership change in all sectors will intensify. This may be particularly problematic in the nonprofit sector, where, because of the relatively small size of so many nonprofits, there are fewer middle managers, and consequently less access to needed managerial and other experience than in government or corporations. A smaller workforce and fewer managers groomed for nonprofit service will likely make the passing of the leadership mantle even more difficult.⁷

With these generational challenges, however, there may be some important, under-realized opportunities. A new generation of leaders will bring fresh energy and ideas to the sector. If proactively addressed, this change also offers an opportunity to increase the representation of leaders of color and those with demonstrated cultural competence, critical to serving our nation's increasingly diverse communities.

Change is hard

During the last decade, field research by the Neighborhood Reinvestment Corporation has highlighted the serious risks of failed or unsuccessful transitions. This work has found that most transitions (as many as 70%) are “non-routine” and occur due to an organizational crisis or the departure of a founder or visionary leader. This research has also demonstrated that poorly managed executive transitions incur high costs to organizations and communities.⁸ Too frequently, there is repeat executive turnover and extended periods of under-performance. In extreme circumstances, organi-

ETM in action

An ETM consultant initially worked with an agency serving homeless San Francisco families to consider its strategic direction when its executive director resigned. This process enabled the agency to understand that since affordable housing for homeless families was not readily available in San Francisco, its services needed to be mobile (i.e., able to follow clients into outlying counties). With this new strategic direction adopted, the board, again with the ETM consultant's help, sought and hired a new entrepreneurial executive to accomplish the new vision and replace the departed director, a social worker who had successfully improved program quality.

zations go out of business, leaving a wake of broken commitments and financial entanglements.

While all executive transitions are challenging, research in this area has identified several distinctive types of transitions with different levels of risk and opportunity.⁹ Transitions involving the departure of the founder (or long-term executive with many similarities to a founder) are the most perilous, as key internal and external constituencies (employees, funders, etc.) tend to identify the organization with its first leader. This is particularly important in the Casey network, where founders lead one out of every three community-based grantees. “Startup” transitions that occur as organizations formalize their operations, and “turnaround” transitions in response to crises, are stressful in different ways with their own distinct organizational challenges, as well as opportunities for growth.

Practice has shown that size is also a critical variable in leadership transitions. Smaller and community-based organizations often have little or no management depth or infrastructure and are extremely vulnerable during a leadership change. When the executive leaves, much of the institutional memory and many relationships may be lost. Larger organizations, particularly those with long-term relations with an executive or a founder, face a different, yet similarly challenging set of issues. For these organizations, their identity and key funder relations are often linked to the departing executive.

Change is costly

In the private sector, succession planning is designed to avoid lapses or

major interruptions in leadership. This is not generally the case in the nonprofit world. The experience of executive search and transition consultants consistently indicates that nonprofit organizations struggle on average for four–eight months to select a new executive. For founder and turnaround transitions, the risks and potential length of transition increase, as does the likelihood of a follow-on transition in a year or two if the first transition effort is not well managed.

The costs of a failed leadership transition—or one that results in a poor or strained fit between an executive and their board—occur on multiple levels. There are the direct costs of transition, which can range from \$1,500 to \$40,000, including advertising, executive search, relocation, and other expenses. Cumulative organizational costs can range from additional staff and Board turnover to missed opportunities for program growth to the loss of hundreds of thousands of dollars of client services due to program shrinkage or closure. In the worst cases, a critically needed organization goes out of business. The community loses an essential service institution, and in some cases, a broad-scale systems reform or community change effort may be derailed.

Help is hard to find

Until quite recently, executive search firms were the sole service providers for leadership transitions. These firms provide a focus on finding the next executive, typically with limited focus on broader organizational capacity building. Search firm fees are also prohibitively expensive for all but the largest nonprofit organizations, and especially those with operating budgets under \$1

ETM in action

Between 1997 and 2001, a neighborhood services center in Baltimore had three executive directors as it struggled to make the transition from a volunteer-driven group to a professionally staffed organization. The nonprofit sought ETM assistance after the third executive left after just six months. The initial transitional assessment identified the need to clarify board, executive, and staff roles and communications and broaden consensus on the strategic direction before a new executive could be recruited. After discussion, the board agreed to hire an interim executive director, who reaffirmed the organization's strong volunteer base and funding support while clarifying board and staff roles and establishing buy-in to a new strategic direction. The interim provided a positive role model of executive leadership for the board, helping it get clearer on the competencies required in the executive director it was hiring.

One year later, the board, after hiring a permanent executive director, has completed its initial six-month evaluation. Both the board and the new director note satisfaction with their progress to date and report that the ETM support and interim executive have provided a strong and stable operating platform that will serve the organization well as it grows in the future.

million. Thus for 82% or more of nonprofits, these kinds of services are not accessible.¹⁰

During the last decade, a small number of national and local organizations have pioneered a more comprehensive and cost-effective approach to ETM. The Neighborhood Reinvestment Corporation, CompassPoint Nonprofit Services, and the Maryland Association of Nonprofits, with support from a number of national and local foundations, have developed and tested a comprehensive menu of ETM services (See page 11, "A Model for Executive Transition Management Services").

Still, these ETM providers are relatively few and far between, without the capacity to meet the needs of the nonprofit sector as a whole. The Casey Foundation commissioned a national scan to understand the availability of various types of ETM and search services for nonprofit organizations. This study reviewed Web sites of executive transition and executive search providers as well as foundation giving for capacity building and leadership development. In addition to the providers noted above, this research found only 21 management support organizations that provide one or more transition-related service, and 36 search and organizational development firms that do search work (which, as noted above, is focused generally on the new hire and not on the whole transition process). Access to services varied widely, depending on where an organization is located, its size, and funding base.

Even in the few areas with established services, there is a pressing need to broaden access. Again, given the growing incidence of executive transitions in

the nonprofit sector and the often-debilitating effects of organizational turnover, attention to broadening the supply and enhancing the capacity building services of ETM providers is not only warranted, but critically needed.

The significant implicit and explicit costs of leadership transitions to organizations and the nonprofit sector demand attention, but not despair. The Casey Foundation's research and experience to date suggests that transitions are under-realized opportunities to strengthen nonprofit organizations. Properly and proactively managed, leadership transitions provide a "pivotal moment" for organizations. Transitions require organizations to pause and perhaps regroup. In this neutral space, boards, with expert support from ETM providers where needed, can assess their organization from a new perspective. They can then work through the hiring process, and implement strategies, even new directions, that enable their organization not only to endure a transition, but emerge stronger and more dynamic from it.

Of course, the degree of positive organizational change derived through a well-managed transition varies widely. For an organization mired in a financial crisis caused by a departing executive, simple survival may be a major feat. For a group losing its founder or a long-term executive, sustaining its current effectiveness is an important accomplishment. For some organizations, however, leadership transition is transformational. It serves as a moment when new possibilities can not only be imagined, but realized.

ETM in action

A national health promotion agency based in California was hemorrhaging with debt, just two years after it had doubled its budget from \$2.7 million to \$5.4 million. The increase had seemed appropriate following a surge in donations. However, this budget level could not be sustained. Management refused to cut programs, believing new monies would be found. As a financial crisis loomed, the executive director left the agency. With support from an ETM consultant, the board hired an interim executive, who instituted staff and program cuts. The interim also communicated clearly with staff, donors, and funding agencies to enlist their help in sharpening the agency's mission and setting realistic objectives. The consultant then worked with the board and recruited a permanent executive director well-equipped to implement new strategies in line with the revised mission and a more modest financial outlook. Five years later, the agency continues to thrive with a \$2.5 million budget.

Promising results

While the field of executive leadership transition services is relatively new, initial studies of these services point to impressive effects. Between 1992 and 1997, the Neighborhood Reinvestment Corporation provided transition and capacity building services to its member organizations across the country. An annual survey of this network of non-profits (noted in the Executive Summary) reported significant increases in executive tenure and organizational goal accomplishment over a five-year period, improvements in executive tenure (from 4.3 to 5.7 years), organizations ranked "healthy" (from 67% to 89%), and direct investment in communities served (from \$146.7 million to \$418.9 million).¹¹

In 1998 and 1999, CompassPoint Nonprofit Services began an ETM program and provided services to 28 local nonprofit organizations. An independent follow-up evaluation in 2000 of the first organizations participating in this program found increased organizational health one year after the new executive was hired in 11 of 12 organizations.

Even more recently, the Maryland Association of Nonprofits, after providing ETM services to 15 organizations in 2001, reported overwhelmingly high satisfaction, according to client surveys. Respondents have attested to both the challenges of transition and the increased organizational capacity generated through the ETM process.

Finally, in case study work with a small sample of its community-based grantee organizations, the Casey Foundation has discovered both positive results and high satisfaction. Terry Keating, a banker

and Chair of Kaleidoscope, a foster care innovator in Chicago that received ETM support, was so enthusiastic about the consulting that he offered to host workshops for other board leaders in Chicago and around the country to "help wake them up to the impending stress and the opportunity leadership transition brings."

A Model for Executive Transition Management Services

A number of practitioners—including Neighborhood Reinvestment, CompassPoint, Maryland Nonprofits and other transition consultants—have developed a unique approach to reducing the risks and maximizing the potential of the transition period. This ETM model combines traditional executive search and organizational development services in a way that can be tailored to the transition and broader developmental needs of any agency. In particular, however, these services are designed for community-based organizations ranging from start-ups with no budgets to those with annual operating outlays up to \$5 million—groups that are often priced out of traditional search services. This innovative ETM approach consists of a flexible set of practices and services that are widely adaptable, but that take place in three broad steps or phases.

• Getting ready

Unlike traditional search processes, ETM helps organizations prepare for leadership succession, months, even years before the actual transition takes place. Central to this preparation is to identify the executive director's key leadership functions (e.g., fundraising, government relations, etc.) and to make sure they are backed up by staff or board members. Cross-training top managers in these functions may even be required. Administrative systems, particularly financial planning and oversight, are often reinforced so that they will survive the departure of the executive director. In addition to addressing the prospective timing of the executive's departure, ETM asks whether significant organizational changes—including mergers, partnerships, or even closure—are warranted.

When the executive is ready or in the process of leaving, there is a transition planning consultation, which includes a quick review of the circumstances around which the executive is departing, the important presenting issues facing the organization, and what if any interim management is needed. The consultation results in a general plan for managing the transition. This plan ensures there is an appropriate goodbye and ending for the departing executive. It also enables board and staff to reflect on the direction of the organization, the required attributes and competencies of the next executive director, and any organizational strengthening required before the next executive is hired. One of the critical benefits of the consultation and the resulting plan is that it enables the board to resist the rush to hire and to consider broader organizational opportunities that may be embraced.

Once the executive announces he or she has a departure date, an organization enters a leadership "neutral zone," where the current leader is letting go, and the agency is awaiting the new leader. This is an unusually powerful and opportune time in an organization's life cycle for capacity building—taking stock, opening up to new strategic directions, and making changes based on current and prospective challenges and opportunities. With ETM support, board and staff will often reflect on the direction of the organization and any capacity building needed before the next executive director is hired. An interim executive experienced in capacity building may be brought in to lead these efforts, as well.

As the "Getting Ready" phase is completed, the organization has a clearer picture

of the transition issues that need to be managed, a set of strategies for addressing these issues, and an understanding of the requirements, including compensation for, and initial priorities of, the new or permanent executive director.

• **Recruitment and selection**

Finding the right new leader in alignment with the agency's vision for its future is critical. Unlike traditional search processes, this stage employs an organizational development orientation designed not only to find and hire the new executive, but also to maximize a nonprofit's ability to provide services and fulfill its mission.

ETM activities in this phase generally include a proactive outreach process to establish a diverse and qualified finalist pool. In particular, this involves recruitment, candidate screening, interview preparation and interviewing, reference checks, and the preparation of an employment offer. It may also include interim executive referral/placement or transition coaching to board leadership. Depending on the organization's needs, capacity, and resources, these services can be offered individually or as part of a comprehensive package. And depending on the circumstances of the new hire, this phase may also involve a variety of concrete steps designed to begin making needed infrastructure improvements or to reposition the organization and its programs.

• **Post hire**

This focuses on the successful launch of the new executive and ongoing capacity building. The executive and board enter into a formal "social contract," which clearly spells out priorities, roles, and procedures and serves as a powerful

tool in getting the new executive off on the right foot. In Maryland, new executives have also begun to participate in peer networking meetings where they receive collegial support and feedback from other leaders outside their own organizations.

At this point, a variety of capacity building activities, from strategic review to visioning, may be introduced or continued from earlier phases. These serve to support the new executive's control and strengthen his or her ability to guide and grow the organization.

A menu of ETM services

The formal ETM model is built on the three-step process above, and can be delivered in what is called a Comprehensive Transition and Search Service, which helps organizations through the entire transition process. This includes:

- An initial consultation and assessment with required competencies and priorities for the next executive;
- A capacity building plan;
- Compensation review;
- Candidate screening and selection assistance; and
- Post-hire plan.

However, to be most useful to the field, ETM providers offer a variety of discrete services in order to ensure nonprofits can receive support they need at a price that fits their budget. These services generally begin with a Transition Planning Consultation, which helps an organization identify key issues influencing a looming or expected transition, any capacity building opportunities, and an outline and timetable for managing the transition. Following this initial

ETM in action

A local community development organization in the Southwest had seen four executive directors come and go in five years. The group's primary funders—local government and a few banks—had lost confidence in the organization's ability to improve the neighborhoods it was serving. Rather than seek another new "permanent" director, an interim executive was hired who focused exclusively on producing results in the community, reorganizing the board, and re-engaging funders. Once the organization was stabilized with increased board capacity, the interim executive served as an ETM consultant and assisted the board in planning for and hiring a new executive. This executive has now served for ten years and increased the organization's impact and production. For example, while the organization helped five to thirty families annually find affordable housing between 1986 and 1992, it assisted 200 families in 2001. Its annual budget has grown from \$115,000 in 1991 to \$1.6 million in 2002.

work, ETM consultants can then provide additional services tailored to an organization's needs. These can include any of the following:

Leadership succession planning and coaching

Here, an ETM consultant conducts an initial private consultation with a board leader or executive considering leaving and then provides targeted coaching that considers timing and process issues and seeks the best result for the executive and his or her organization.

Experience indicates succession planning may be approached for purposes of emergency planning in the event of an illness or unexpected absence, as part of a strategic planning process, or in relation to a time-defined departure (e.g., an executive that is planning to retire in two years).

Transition management coaching

Less extensive than the Comprehensive Transition and Search Service, these coaching services support the board in carrying out the key transition management steps including an organizational assessment, development of the job profile and competencies, compensation review, and/or board-executive social contracting and evaluation planning.

Interim executive referral/placement

Depending on internal capacity and the issues an organization faces, a trained, experienced interim director may be a good choice. This service helps an organization review and select among candidates it already knows. An ETM consultant may refer and place an experienced interim from an outside pool of candidates, as well.

Executive coaching and peer support

This service offers guidance to a departing and/or newly arriving executive. The ETM consultant serves both as a sounding board and as a seasoned guide. (ETM coaches generally have direct personal and professional experience with the executive director role.) Where possible, the consultant also strives to connect executives with peers facing similar situations.

Capacity building assessment and planning

The transition period can be a powerful entry point for a whole range of capacity building services from strategic planning to financial review to fund development. An ETM consultant can serve to help diagnose an organization's needs, identify strengths to build on, and find management support providers who can provide needed services.

ETM in action

An entrepreneurial founder had created a thriving museum in Baltimore during a ten-year period. When the founder received an offer to direct a larger museum in another city, he decided it was time for a new challenge. Somewhat stunned, the board quickly moved from an advisory to a more hands-on role. A board member with experience providing interim management in corporate settings became the interim executive and served for two years. During this period, the board worked with an ETM consultant to complete a strategic review, identify and address several infrastructure and funding needs, and agree on priorities for the new executive. As a result of this work, the museum selected one of three very qualified museum executives who applied for the permanent position.

In 1994, the philanthropic community began major investments in ETM services. The W.K. Kellogg Foundation added its support to a five-year ETM research project of the Neighborhood Reinvestment Corporation (NRC), designed to increase executive director retention and bolster the leadership of NRC's member organizations. Part of this successful strategy included providing ETM consultation to boards during the hiring process and providing training to newly hired directors. Since that time, further investments by the David and Lucille Packard Foundation, Irvine Foundation, the Evelyn and Walter Haas, Jr. Fund, and others have allowed the development and testing of a promising range of ETM services, most notably in the Bay Area. This support has enabled two local management support organizations there—CompassPoint Nonprofit Services and The Management Center—to serve more than 200 nonprofits since 1997.

Building our knowledge base

In 2000, the Casey Foundation launched an effort to better understand the frequency and issues of executive leadership transitions in nonprofit organizations and explore the Foundation's role in assisting grantees to move successfully through the organizational challenges of leadership transitions. The Foundation commissioned an 18-month research process that included a literature review, a national and three-city scan of available transition services, a grantee survey, 11 consultative sessions with nonprofit leaders and capacity building practitioners, and case studies of founder executive leadership transitions.

In Baltimore, the Baltimore Community Foundation, the Annie E. Casey Foundation, and six other local foundations—Goldseker Foundation, Straus Foundation, Blaustein Foundation, Francis and Marian Knott Foundation, France-Merrick Foundation, and William Baker Memorial Fund—have pooled resources to support a replication of the Neighborhood Reinvestment/CompassPoint service model through the Maryland Association of Nonprofits. In 2001, 15 nonprofit organizations received assistance. In 2002, demand for executive transition services in Baltimore doubled, so the Maryland Association of Nonprofits has adapted a variety of lower-cost variations on the CompassPoint approach to expand the number of organizations served.

From the work to date, three approaches to making ETM services affordable to small and mid-size nonprofits have emerged. They include:

- 1) Planning grants to a reputable management support organization or association to adapt ETM services and identify and train ETM providers. Here, nonprofit organizations needing financial support to pay for ETM services seek it from a current funder (San Francisco/Bay Area approach);
- 2) Both planning grants and grants to reduce the cost of ETM services to specific organizations are made into a pool administered by the management support organization or association (Baltimore/Maryland approach); or
- 3) A funder commits to support all or a portion of the cost of ETM services for

selected grantees through a dedicated stream of funding either specifically for this purpose (Casey Foundation) or for management assistance generally (Eugene and Agnes E. Meyer Foundation).

Additional regions and communities are actively working to make ETM services available. The New England Regional Area Grantmakers and several New England foundations are exploring the provision of ETM services through a planning process. Conversations with funders are also underway about program development in Washington, DC, New York City, and the Twin Cities, among others. On the service provider side, more than 40 management support organization managers and consultants attended a day-long workshop in 2003 on how to start an ETM program or practice at the Alliance for Nonprofit Management conference (This session resulted in the offering of a three-day ETM consultant training attended by 20 consultants and a waiting list of several others.).

Given the growing interest and positive results from its exploration of transitions and ETM, the Casey Foundation is now:

- Sharing its lessons with other funders with an eye to identifying collaborative strategies to expand the supply of needed ETM services; and
- Investing in evaluating this strategy and its potential to increase organizational effectiveness.
- Developing a service delivery mechanism to make ETM services available to selected, key grantees;
- Documenting its learnings on the transitions of founders and long-term executives and how the coming, sector-wide generational change will affect the recruitment and development of new leaders;

ETM in action

A health services organization on the West Coast was threatened with lawsuits and possible closure after it diverted significant funds from a government grant for the development of residential housing, a new component unrelated to the grant (and to the agency's mission). With help from an ETM consultant, the executive director and the deputy executive director were able to resign without further destabilizing the organization. The board hired an interim executive director, and together, they took on the task of divesting the agency of its new housing programs and re-committing to its core outpatient services and programs. The interim focused on rebuilding staff morale and reconstituting a devastated management team. The ETM consultant worked with both board and staff to develop its future vision, which included becoming more demographically diverse to serve a broader range of minority communities. Just eight months after the organization had been on the brink of failure, a talented, culturally competent administrator was successfully recruited to lead the renewed agency.

Like any developing field of practice, the pioneering work of ETM requires both encouragement and testing. The early research and development investments have been made. The results in terms of valued assistance to organizations and increased organizational capacity and effectiveness are promising. To fully understand the potential of ETM and related capacity building, the Casey Foundation invites other funders, board leaders and executives, researchers, management support organizations, leadership development programs, and others to join us in this important work by:

- Raising awareness about the power and potential of ETM;
- Reducing cost and other barriers to ETM provision;
- Building the capacity and availability of local or regional service providers of these services;
- Supporting the dissemination of best practices and other learnings from research about ETM and leadership succession;
- Articulating a set of measurable results to provide a foundation for ongoing research on the impact of ETM; and
- Exploring how to best prepare the non-profit sector for the challenges of the imminent generational shift in leadership.

The Casey Foundation looks forward to identifying new partners and advocates for this effort, and for expanding the power and potential of ETM as a recognized and widely used management support modality.

The opportunity for significant advances in this developing field is real both for the organizations facing a transition and for the sector as a whole. Experience to date suggests that organizations choosing to use ETM services and fully explore the capacity building opportunities associated with a leadership transition can make major advances. Similarly, there are significant opportunities for the sector to prepare and “pivot,” as it faces the challenges associated with a major generational change. While the sector grapples with identifying its next cohort of leaders, ETM can be an entry point for increased attention to leadership succession planning, leadership preparation, and other capacity building approaches. Over time, we are hopeful that this work will lay the groundwork for sector-wide growth and positive change.

- 1 One of the first to observe that leadership transitions were pivotal times for nonprofit agencies was Tom Gilmore. See: Gilmore, T. 1988. Increased Leadership Turnover: Problem or Opportunity. In *Making a Leadership Change: How Organizations and Leaders Can Handle Leadership Transition Successfully*. San Francisco: Jossey-Bass. Others making similar points include:
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- 2 National Center for Nonprofit Boards. May 1997. Crisis or Opportunity. *Board Member* 6, No. 5.
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- 4 This may not include faith-affiliated nonprofits, which are not required to file a 990 report with the IRS. Sources: IRS Return Transaction File, 1990-1999; Stevenson, D., Pollak, T., Lampkin, L., et al., *State Nonprofit Almanac 1997; Nonprofit Almanac 1996-1997* as updated by Independent Sector, 1998.
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Prepare, Pivot, and Thrive

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Tom Adams is the president and senior managing partner of TransitionGuides, a collaboration of consulting firms specializing in Executive Transition Management, and the project consultant for the Annie E. Casey Foundation's Executive Transition Management and Capacity Building Initiative. Tom has more than 30 years experience serving nonprofit organizations as an executive director, senior manager of a national organization, and as a consultant. His eleven years of research and practice in the area of nonprofit executive transitions includes five years as director of the Neighborhood Reinvestment Corporation's Community Development Leadership Project and six years as a private consultant to nonprofit boards and foundations.

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