

Interim Executive Directors

The Power in the Middle

The Evelyn and Walter Haas, Jr. Fund

The Haas, Jr. Fund is 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, the Haas, Jr. Fund aspires to serve as a voice of hope and a positive, unifying force for social change.

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.

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About the Author

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The Executive Transitions Monograph Series

Interim Executive Directors: The Power in the Middle is the second volume in a new monograph series on executive transitions and executive transition management, funded by the Evelyn and Walter Haas, Jr. Fund and the Annie E. Casey Foundation. It includes:

- *Capturing the Power of Leadership Change: Using Executive Transition Management to Strengthen Organizational Capacity*
- *Founder Transitions: Creating Good Endings and New Beginnings—A Guide for Executive Directors and Boards*
- *Up Next: Generation Change and the Leadership of Nonprofit Organizations.*

These are all available through the Casey Foundation and online at: www.aecf.org/initiatives/leadership.

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2 **Executive Transitions: Widespread and Challenging**

Leadership change is an increasingly common aspect of nonprofit organizational life. Research suggests that each year, one in ten nonprofits goes through a leadership transition. As the large numbers of leaders from the aging baby boom generation begin to retire, we can expect even more of these leadership turnovers. According to a 2004 survey of more than 2,200 nonprofit organizations, 65 percent of respondents say they are likely to go through a leadership transition by 2009, while just 57 percent had experienced a transition during the past 10 years. Fifty-five percent of executive directors were over the age of 50.¹ Other studies predict a similar level of “turbulence at the top” of nonprofits between now and the end of the decade.²

Change is hard

Transitions can be very difficult for nonprofit organizations of all sizes. For smaller, grass-roots agencies with limited financial resources, they can be particularly challenging. Unlike many for-profit companies, nonprofits rarely have planned or routine successions, raising the downside risks of the transition period. Further, “founder” transitions, which our ongoing research suggests will be relatively more common, are notoriously thorny and can test the resilience of nonprofit organizations even more. Poorly managed transitions of any kind can erode organizational effectiveness and service quality, and in the worst cases, put a nonprofit out of business.

Transitions as pivotal moments

Transitions, however, need not be associated with bad outcomes. CompassPoint Nonprofit Services, along with the Annie E. Casey Foundation and others, has developed a comprehensive and affordable approach to Executive Transition Management (ETM), which can help nonprofits not only survive transitions, but use them as opportunities to grow and thrive. In particular, we have found that when nonprofits receive the proper support and understand the unsettling, but

relatively predictable, transition process, these periods of change can be potent, pivotal moments, opportunities to update an organization’s strategic direction and implement needed capacity building. The case studies in this monograph present stories of nonprofit groups capitalizing on the special growth opportunities that appear between the tenures of permanent leaders.

Interim executive directors: The power in the middle

The following monograph, the latest in a series on executive transitions produced with support from the Evelyn and Walter Haas, Jr. Fund and the Annie E. Casey Foundation, describes the benefits and basics of using an interim Executive Director (interim ED) in a leadership transition. A nonprofit board facing a transition may begin by talking with a consultant experienced in executive transition and search. This monograph will cover the issues that nonprofits in transition should then consider when weighing whether to use an interim ED—either in tandem with a transition consultant or on their own.

First, let us be clear about what we mean. Interim EDs are not simply board members or staff who sit in the executive director’s seat for a few weeks or months until a new director is found. Interim EDs are highly skilled managers who temporarily take the helm of an organization (four to eight months on average), help the board and staff address important systems and capacity issues, and lay the groundwork for the permanent leader’s success. While not all organizations in transition require an interim ED, our research and practice to date at CompassPoint suggest that those groups that do use an interim ED emerge stronger, more financially sound, and with high levels of optimism about the future impact of their agency services. In sum, the use of interim EDs represents a powerful capacity-building strategy, one we believe nonprofits should carefully consider when addressing the challenges of their next leadership transition.

¹ Teegarden, Paige. *Change Ahead: 2004 Nonprofit Executive Leadership and Transition Survey*. Baltimore, MD: Annie E. Casey Foundation, 2005.

² In 2001–2002, Maryland Association of Nonprofits and the Annie E. Casey Foundation both surveyed executive directors and received responses from over 100 executives in each survey. For MD Nonprofit executives, 77 percent planned to leave within five years, and 39 percent were founders or long-term (over ten years’ tenure) executives. For Casey grantee executives, 85 percent planned to leave within seven years, and 52 percent were founders or long-term executives of whom 33 percent were founders. Studies by CompassPoint Nonprofit Services (2001) and the CEO Roundtable of Community Foundations (2003) report similar findings.

Agencies in Transition: Anxiety and Unfinished Business

Entering an agency as its temporary leader, the interim ED will not find the organization in a “steady state.” Staff and board will be in the midst of separating from the previous executive with varying degrees of fear, sadness, and anticipation. The departing ED will also be in an in-between state, working through the feelings that accompany a separation, perhaps confused about how much influence he or she wants or should have on the agency’s future. If the board forced the departure, emotions may be particularly high. Complicating the situation, some funders, donors, and volunteers may be taking a “wait and see” attitude before wholeheartedly reinvesting themselves in the organization.

Most concretely, the interim ED will invariably find under-resourced administrative systems. Even in the best of times, nonprofits experience a tension between infrastructure needs and program funding; and this is usually resolved by shortchanging infrastructure. EDs who are successful in carrying out their wide array of duties do so by dint of passion and wiles and long hours—and often by cutting administrative corners in ways that work for them. Services and goods for clients always come first.³

So as EDs prepare to leave their organizations, even the most successful will report that there are things they would have done better if given the time, resources, and staff. Accounting systems may be less than ideal. Personnel files may be neglected or performance evaluations put off. There may be delayed, end-of-contract reports to funders or haphazard data collection on client services. Leaving things undone is almost inevitable in chronically under-resourced nonprofit settings.

As we will discuss later in this monograph, it is the interim leader’s task to step into this unsettled period in the agency’s life with a healthy respect for its mission and the contributions of all involved. Making space for the major parties’ thoughts and feelings will promote a healthier agency environment. Attending with care and calm to any operational deficiencies will prepare the organization for greater achievements under its next permanent executive.

In all cases, the interim ED and organization must properly honor the departing executive’s service and accomplishments, the work he or she has done in the face of the enormous challenges inherent in nonprofit work. Out of passion for the agency’s mission, the departing leader accepted the job’s stresses, made personal sacrifices, and gave his or her best so that the lives of others might be improved and enriched.

³ CompassPoint has documented the professional life of executive directors in two studies on ED experience and tenure—*Leadership Lost* (a 1999 survey of San Francisco/Bay Area executives) and *Daring to Lead* (a 2001 survey of executives in 5 cities across the country). A copy of *Daring to Lead* can be downloaded from the “research” page of the CompassPoint website. A hard copy of *Leadership Lost* can be ordered from the website bookstore.

Interims in Action

The Central City Youth Action Center⁴ was deficit spending when its ED, Gary, resigned on short notice to take a similar position in another part of the state. For most of the last century, the Center had provided after-school and recreational programming for the youth in the surrounding working class neighborhood. However, gentrification and soaring housing costs had begun to push out many middle- and low-income families. For the last three years of Gary's six-year tenure, the Center's programs had been in serious decline.

A board member, Bill, who had recently been laid off from his software engineering job, stepped into the acting ED position, while the board conducted a search. Board recruiting failed to turn up qualified candidates. In the meantime, Bill was unsuccessful in turning around the agency's finances; and the city's social services agency, which had long contracted with the Center, threatened to terminate its support.

Through CompassPoint, the Center board then hired an interim ED, Alfredo, who had a strong history of running social service and work-readiness nonprofits in the city. Alfredo did a quick read on the range of things that needed correcting to get the Center back on its feet. He then signed a 12-month contract with the board in order to have the time required to address them.

On the programming front, Alfredo reframed the Center as a "safe haven" after-school facility for youth living in high crime areas of the city outside the immediate area around the Center. He marketed its programs to the families, churches, and schools in those neighborhoods. Public transportation allowed easy access to the Center. The staff received training on how to head off drug dealing and minimize other dangers in some city neighborhoods.

At the same time, Alfredo took on the agency's books. Payables were out of control. He hired a new staff accountant and pursued long overdue receivables. Alfredo then persuaded a personal friend to make a six-figure loan to the Center to pay off creditors. The loan was secured by the Center building, which was mortgage-free.

Alfredo then used his credibility with city agencies and local foundations to attract funds to make critical repairs to the Center's facilities, which had been long deferred. Fifty thousand dollars from one foundation went to restoring four of the Center's six bathrooms, which had been shut down. Another grant paid for the paint and supplies used by two volunteer organizations to give the whole building a new coat of paint.

As Alfredo puts it, "my job was to be constantly hustling on behalf of the Center." His efforts to renew the building and programs lifted a demoralized staff. The new financing ended the frequent payroll delays (in the six months prior to Alfredo's start, paychecks had been late eight times). One new grant went to computer purchases so that, for the first time, all staff had their own PC workstations.

Alfredo recruited for the permanent ED position a couple of great candidates who came from the new communities targeted by the Center. One of them took the job, and Alfredo agreed to be available for six months as a mentor.

Alfredo's quick and aggressive style in taking on the Center's problems was important to his success in turning it around. Also critical, especially in reassuring funders and generating working capital, was his reputation as a successful nonprofit executive in the city. The Center's board could not have afforded the salary required to hire that level of talent on a permanent basis. Alfredo's interim work got the agency to a stable point where it could be maintained and carried forward by newer talent at the helm.

⁴Central City Youth Action Center is the fictitious name for an actual client of CompassPoint Nonprofit Services. The names of all persons mentioned have also been changed.

The Interim ED: Making the Most of Change

An executive's decision to leave a nonprofit agency kicks off a period of organizational transition. Reflecting a change model developed by William Bridges,⁵ the elements of a transition can be organized into three overlapping phases. The first is the Ending phase, where the organization gets closure on the departing executive's tenure. All parties exchange goodbyes and appreciations; they may also need to work through their feelings of loss or anger. At the other end of the process, the Beginning phase includes the new executive leader's welcome and orientation and can include significant organizational changes or new ways of doing business.

Bridges refers to the Middle phase in a change process, the period between the Ending and the Beginning, as the "neutral zone." This is both a time of organizational vulnerability, and very importantly, a period of heightened opportunity. Since the leader is leaving, the organization is much more open to change than usual. Systems and culture become a bit "unglued." They can be improved and put back together by board and staff in new and exciting ways that leave the organization stronger and more stable.

An interim ED is an especially potent tool for making the most of the capacity building opportunities in the transition's neutral zone. With the physical departure of the previous executive, the neutral zone is more clearly demarcated than in the case of a "lame duck," who stays in place until his or her successor is hired. The interim ED's presence makes it clear to everyone that the organization is in an "in-between" place. As a seasoned nonprofit manager hired from outside the agency, the interim can step in as a steward and change agent. He or she can both manage the transition's risks and heighten the neutral zone creativity of board and staff. The skilled interim ED will also engage external stakeholders, particularly funders, both to communicate that there will be no loss of program momentum and to engage them in creating the agency's future.

The power of the transition period to produce fresh perspectives and change can rarely be fully realized if the departing leader stays in place. Even with the best of intentions to let go and give the agency space to create a new future, the departing executive exerts an unexpressed (or perhaps even overt) force for maintaining the status quo. Often inadvertently, his or her presence delays the leadership separation process.

Interims in the Clergy

Interim pastors are routinely engaged by several Protestant denominations in the Christian faith. The Presbyterian Church, for instance, mandates that when a regular pastor leaves a congregation, an interim pastor must be brought in for a minimum of one year. The interim leader is chosen from among a corps of pastors who have graduated from an interim ministry training institute.

The interim pastor leads several "developmental tasks" for the congregation. As in nonprofit groups, the interim helps the congregation gain psychological closure with the departed pastor. This is based on the premise that a congregation cannot fully embrace its next pastor until it has emotionally "let go" of the previous one. A second task is attending to administrative systems. It is acknowledged that even the best pastor "will have had gifts in some areas and not had gifts in others." The interim pastor looks to areas where the gifts were lacking. A final interim task is helping the congregation create an updated vision for its future. The next pastor is then chosen with the specific skills needed to help the congregation realize that vision.

We believe the nonprofit sector could benefit broadly from this thoughtful and increasingly time-honored approach to leadership change.

⁵ William Bridges has lectured and written extensively on his model for managing change in organizations. One of his books, *Managing Transitions: Making the Most of Change*, is listed in the Related Publications section at the end of this monograph.

The Interim ED Advantage: An Overview of the Benefits

The use of an interim ED can have a variety of benefits that enable a nonprofit to transform the uncertainty of the transition period into an opportunity to create a solid platform for organizational growth.

An objective review

The capacity building advantages of an interim executive director include an objective review of administrative systems and a resulting plan for upgrades. The interim ED will affirm what is right about the operations of the agency. However, he or she is also uniquely free to “speak the truth” to the board and managers about what is dysfunctional, to identify the barriers to full programmatic achievement on behalf of clients. Some of the analysis results from reviews with internal personnel. Other important perspectives are gained in talking with funders and peer agencies. The candor with which recommendations for change are made should always be accompanied with the respect due for the efforts of the previous executive.

Specialized skills and expertise

The interim ED works with managers to develop short-term solutions for removing major organizational barriers. Longer-term strategies may require the next permanent executive’s involvement. Interims bring to this process wisdom and techniques accumulated in their own nonprofit careers. Some characterize their role in this regard as taking care of problems rooted in the past so that the newly hired executive can focus on the future.

Creating separation

The skilled interim leader also facilitates the agency’s necessary separation from the ways and means of the previous CEO. Staff and board are given forums in which to acknowledge the departed executive’s gifts and achievements, talk about what they would like to see maintained and what might have been done differently—sometimes accompanied by passions that had been bottled up—and outline which skills and attributes they’d like to see in their next executive. These activities—and the passage of time—bring added distance from the presence and tenure of a strong ED, creating a more welcoming environment for the new leader.

Facilitating a fresh vision

The interim ED engages all key stakeholders in scripting a fresh and exciting vision for the agency’s future. With the new vision in hand, the board can sharpen its profile of the next executive and better focus its recruiting efforts.

A mentor who knows the ropes of the organization

If the next executive is a first-timer, which is frequently the case with small to mid-sized agencies, the interim ED can be invaluable in mentoring the rookie ED. For example, all candidates placed in interim ED positions by CompassPoint have previously served as nonprofit CEOs and can guide the professional development of new leaders.

Avoiding the rush to hire

Beyond taking advantage of the power of the neutral zone, having an interim in place simply allows the board to take the time needed to recruit a strong pool of candidates. If employing an interim is not considered when an ED leaves on short notice, too many boards become anxious and rush the hiring process. The board may skip key recruitment steps and choose a less-than-ideal candidate. Too often, the result is a failed executive tenure—and another leadership transition not too far down the road.

A cost-effective strategy

The agency’s budget line item allocated for the executive salary, plus taxes and benefits, can be applied to the interim ED’s compensation. Calculated as a per-hour rate, the compensation for an interim can be quite a bit more than the agency would typically pay its executive. Interims can command the higher rate because they are veteran executives who are immediately ready and prepared to meet the needs of an agency. However, most interims can be hired for less than a 40-hour week—typically 20 to 30 hours per week. While the hourly rate is higher, the total cost need not be much higher than the funds already allocated for the permanent executive’s salary. Additionally, interim EDs generally do not receive normal agency benefits (paid vacations, sick leave, insurance, etc.), which also reduces costs for the hiring agency.

Looking for an Interim ED: Who and How to Hire

Having presented the ways in which an interim ED can help a board take advantage of the change opportunities in a leadership transition, we will now discuss what to look for in candidates for the interim role, where to find the best candidates, and typical terms of engagement.

The interim ED assignment is not an executive training opportunity. The heightened vulnerabilities and challenges inherent in a leadership turnover are best handled by a seasoned manager who has mastered the complexities of the nonprofit CEO role. The interim must lead anxious staff, reassure wary funders, keep finances and fundraising on track, and help board and staff get ready for the next stage in the agency's life. A broadly skilled interim leader can stay on top of these issues as the transition unfolds.

Given the executive experience criterion, interim ED candidates are largely mid-to-late career, nonprofit professionals. Most were once EDs and now have independent consulting practices. Their consulting specialties vary from fundraising to finance systems to executive coaching. Some are retired and don't work for the months between interim ED engagements. All interim candidates are likely to be more skilled than the permanent ED most nonprofits will eventually hire.

While all interim ED candidates are experienced, each has his or her own set of particular strengths. Some are suited to take on larger, more complex institutions. Others are particularly adept at engaging an advocacy organization with a culture of consensus decision-making. Some have strong finance backgrounds, and they're referred to agencies whose books are in disarray. Some are better at helping agencies revitalize their fund development strategies.

An agency seeking an interim ED will usually prefer candidates with backgrounds in their particular business (e.g., homeless services, environmental advocacy, or the arts). However, the most important requirements are a honed administrative skill set and time-tested wisdom. Content knowledge is not essential. Someone who has led a youth development agency can be an effective interim ED at a homeless agency.

A veteran health care advocate can be the temporary head for an environmental agency. A performing arts veteran can guide a museum through its transition.

The need for demographic fit must also be addressed. To what degree is it critical that the interim leader match the same demographic profile that the agency would prefer in its permanent leader? The domestic-violence prevention agency might well require that its temporary executive be a woman. But while the youth development agency serving primarily inner-city Latino and Asian adolescents might see it as important to have a person of color in the regular position, it might hire an interim executive of any race who would bring the fund development skills required to get them back on solid financial footing. The ideal, of course, would be that the agency managing the interim ED referral service have a broadly diverse pool of nonprofit professionals.

A central skill in stepping into an agency is the ability to listen and learn. Board and staff members know the business details. Industry funders and peer agencies are typically eager to bring the interim up to speed. In some cases, being an outsider is an advantage. The sophisticated interim administrator can ask questions that insiders might not feel empowered to ask.

Listening skills are critical in another way. A transition heightens anxieties about the future. A key task of the interim leader is to hear the concerns and fears of staff and board and give them confidence that this trip through the uncertainty of the neutral zone will conclude with the arrival of a new and confident future. The interim leader is the steady presence amid the turmoil and doubt inherent in a creative change process.

Finding the right interim...quickly

As with any hire, before recruiting begins, it's essential for the board to get clear on which executive skills are particularly important to the agency in the months immediately ahead. Do the financial management systems need an upgrade? Is there a major fundraising dinner coming up that the interim ED will oversee? Does a complex government grant request need to be submitted? Is staff morale a major concern? The board will be aware of many of the tasks ahead. But some pointed conversations with a couple of program staff members, all key managers, and the outgoing ED will provide a fuller picture of what the interim ED will be tasked with getting done. This process will also help the board set priorities on what it needs in the next ED.

With a skills profile in hand, boards can draft a one-page job announcement that has brief sections devoted to:

- *Agency Description (with Web site address);*
- *Interim ED Job Description (6 to 8 bullet points);*

- *Special Tasks in the Interim Period (e.g., Oversee completion of 2003 audit);*
- *Expected Interim Tenure (e.g., June through October);*
- *How to Apply.*

Candidates are screened for the major skills needed, their general savvy about managing the complexities of the nonprofit ED role, and their availability for the full, expected, interim tenure—and for a few weeks beyond, in case the search for a permanent ED takes longer than expected.

In order to have good candidates available on short notice, some nonprofit consulting agencies maintain rosters of pre-screened candidates for interim positions. At CompassPoint and Maryland Nonprofits, for instance, veteran executives seeking to fill temporary roles are interviewed to determine their particular skills and job preferences. After their references are checked, they are added to a roster of interim ED candidates. Then, when an agency makes contact seeking a temporary executive, candidates whose profiles fit

Interims in Action

Fairfax CASA

Fairfax Court Appointed Special Advocates (Fairfax CASA) is a 15-year-old organization that uses trained community volunteers to provide one-on-one advocacy for children in abuse and neglect cases before the courts in Fairfax County, Virginia. Fairfax CASA is part of a nationwide network of 900 CASA programs with 62,000 individuals serving as CASA volunteers. Fairfax has the largest CASA program in Virginia and is among the nation's largest.

Faced with an executive departure in early 2003, the organization found itself at a crossroads. Previously, the board had made a commitment to eliminate the organization's waiting list and ensure that a trained CASA volunteer was immediately available for every child who needed one. Fulfilling this commitment required more than stepped-up volunteer recruitment. The organization had to make a substantial investment in volunteer training, which in turn required more program funds. To meet these needs, CASA launched a capacity-building "professionalization" initiative.

Prior to the executive transition, the organization had made substantial progress toward its professional-

ization goals. It had hired a credentialed program director, it had moved to larger and more workable quarters, and it had replaced its antiquated computer and phone systems. Fundraising, however, remained a struggle.

As part of the leadership transition process, the board hired a trained interim ED. The interim worked with the board to step up to the fundraising challenge. She helped the board recognize that its structure and composition were artifacts of a period when the organization was largely reliant on government funds, and the board mostly provided financial oversight while assisting staff with the program and administrative issues.

Board leaders sought new members with fund development skills and sought similar talent in the permanent ED. The board then formed a fundraising committee and developed an interim fund development plan. In August 2003, it hired a new executive, who with the rejuvenated board, raised 80% of the full year's income budget within the first six months of the new executive's tenure and put the professionalization initiative on a solid financial foundation.

the profile of what the nonprofit needs can quickly be forwarded to the board. The board interviews them and makes a choice. The ready pool means an agency can have its interim ED opening filled in as little as two weeks.

Sources of candidates, beside a nonprofit technical assistance agency, could be the local community foundation, other nonprofit foundations, and peer agencies (the city's network of human service agencies). An increasing number of regions have online sites for job postings where an interim position could be listed.

Going outside for an interim

To take full advantage of the transition period's opportunities, most boards should hire interim leaders from outside the agency. While existing board members and agency managers may well have solid administrative skills, they are not well-positioned to take full advantage of the renewal opportunities presented by a leadership transition. They are steeped in the existing culture. An outsider will likely be more objective about what's functional and what changes might better advance the agency's mission. And the external candidate has greater independence in confronting disarray and dysfunction. The interim ED can take on a critical change effort for the agency's welfare without having to pay as close attention to his or her own personal relations with agency players.

For similar reasons, it is important that the temporary leader not be a candidate for permanent hire. The interim ED seeking to sell his or her candidacy for regular ED will be tempted to avoid confronting any issues that might alienate those who will make or influence the hiring decision. An agency looking to take full advantage of the power of a transition is best served by hiring a compassionate "truth teller" and change agent, unencumbered by a personal agenda.

Typical tenure, work hours, compensation

An interim tenure typically runs from four to eight months. It may be shorter if the primary task is to cover the final month or two between the predecessor's departure and completion of an executive search. A longer tenure can be contracted for in an agency needing significant "turnaround" work, where programs and systems have been seriously mismanaged. Here, an interim with strong repair skills is hired to right the agency before the board searches for a permanent ED. CompassPoint, for example, recently placed an interim in a 500-employee social services agency on a two-year contract: the founder of the agency had died suddenly, after a 30-year tenure, and its government and foundation funders were demanding a major overhaul of management systems, personnel, and culture.

Outside the turnaround scenario, interim periods of longer than six months can become unhealthy for a nonprofit. The agency may appear stalled in the neutral zone as funders and other stakeholders become anxious to move forward with a new permanent leader.

Except when on assignments in the largest agencies or in those needing major turnaround work, the interim ED will usually work less than full-time. On average, an interim ED contracts for 24 to 30 hours per week. The veteran executive can manage administrative tasks in a time-efficient manner. He or she will stay focused on transition duties, and given his or her temporary status, spend little time building relationships outside the agency.

In the CompassPoint experience, temporary executives are paid between \$55 and \$75 per hour. This is almost always higher than what the executive salary would be in the hiring agency on an hourly basis. The higher pay is justified by the demands of the role—a broad range of ready administrative skills that allow for a quick assumption of duties, the leadership attributes and change management skills required by an organization in transition.

It should be noted that the typical hourly rate is quite a bit less than what the interim executive would charge for a consulting contract. Most veteran executives offering themselves as interim ED candidates also have consulting practices in which their fee is up to \$125 per hour.

Interims in Action

Since its incorporation in 1983, Angel Island Immigration Station Foundation (www.aiisf.org) has conducted education about the role of Pacific Rim immigration in U.S. history. Its primary mission has been the preservation of a former military facility on Angel Island in San Francisco Bay that had been mostly used to detain Asian immigrants in the early decades of the 20th century.

For most of two decades, the Foundation had been operated by its board of directors. By 1999, the Foundation's funding and activities had grown to the point that the board realized it needed to hire professional staff. Both to cover pressing Foundation business and to help in the transition to paid staff, the board hired an interim ED, who served an eight-month tenure.

One of the interim's first duties was to put agency systems in place, including financial management, personnel policies and procedures, board governance policies, and donor tracking. In the course of setting up and running the systems, the interim ED needed to help the board let go of day-to-day management duties. She had a healthy "tug-of-war" with some board members who had greater difficulties in learning the new boundaries between governance and management.

A second function was to lead the search for a permanent ED. She helped the board determine the skills needed for the position and then, along with board members, pursued candidates. She facilitated the board's candidate screening process. Once the ED had been hired, the interim stayed on for a few weeks in a consulting capacity to mentor the new executive, who had not previously held a nonprofit executive staff leadership position.

Starting up with a veteran nonprofit manager in the interim role provided major benefits to the Foundation. The skills needed to put systems in place were unlikely to be found in a first-time executive at a salary the agency could support. The neutral zone struggles involved in the board moving out of hands-on management could be more successfully handled by someone with prior experience working for a board. And having this sometimes tense give-and-take handled by the interim ED reduced the risk of strained relations between the permanent executive and the board. Finally, the interim leader was able to train the first-time exec to maintain the management systems and coach her through the early stages of her leadership learning curve.

The interim ED's work encompasses, of course, the standard executive arena: overseeing finances, keeping fundraising goals on track, monitoring program operations, supporting managers, and attending to normal board needs. A second set of interim ED duties speaks to the special needs of an agency in transition. These include attending to staff anxieties, extra communications with wary funders and other supporters, helping the board keep up with its transition and search duties, making any repairs needed in agency systems, and very importantly, creating excitement about fresh possibilities in the agency's future.

Getting on the same page

Once on the job, the interim ED's transition tasks begin with setting outcome goals for his or her tenure. Candidates can even start identifying their interim goals in their interviews with the board. Interims ask boards about which systems need attention, staff morale, major grants to be written, and donor events to be managed. Beyond the generic developmental goals that make for good neutral-zone management, the interim ED begins his or her tenure with an agreement with the board that outlines a specific set of objectives. After a month on the job, the interim ED should have gained additional information on the agency's needs and transition priorities, as well as what is doable in the time allotted. In light of these realities, the board and interim ED may reconsider their initial objectives.

Getting the numbers right

The interim ED will generally give agency finances immediate and thorough attention. Interim EDs in the CompassPoint network have reported that the most common stumbling block in their work is unexpected financial difficulties. Cash flow projections prove to be inaccurate, so payroll shortfalls suddenly crop up. The reserves labeled "unrestricted" turn out to be "restricted." Angry calls from creditors start coming in because checks to cover payables that had been signed by the executive had been "placed in the drawer" by the bookkeeper, who was waiting for receivables to cover them.

CompassPoint has learned to bore into an agency's finances early in discussions with a board that wants to hire an interim. We review balance sheets and ask questions to ensure the validity of the numbers. We

look at the skills and tenure of finance staff. We may request permission to talk to the agency's external auditor. The goal is to know the agency's finances and to let the interim ED know if any financial issues need immediate attention.

Getting connected

A first task for the interim is getting connected to staff. One-on-one meetings with managers are a common practice. Interim EDs ask about their departments, achievements they're proud of, problems they'd like help with, and how they like being supervised. In larger organizations, the interim ED usually meets the rest of the staff in groups and asks similar questions.

As with any executive, the interim's staff focus is on the management team. The interim supports and builds the managers, who in turn develop their staffs. The most recent performance evaluations of managers are checked to ensure development goals are in place. If a serious performance problem is encountered, the interim will address it immediately. The interim will also gauge whether the managers are acting as a team, able to make decisions as a group, resolve differences that arise, and back one another up when necessary. If not, the interim ED will devote time to developing team capacity.

Checking contracts and contacts

Another first-order task is a review of contractual obligations. What are the deliverables for each contract currently in place, and is the agency on track to make them by contractual due dates? Where the agency is behind schedule on a set of deliverables, the interim will ask for management's plan to catch up with the schedule or will approach the contract officer with a request to renegotiate the contract. The interim ED's credibility, particularly with funders, is often established through this candid and straightforward approach to correcting any problems.

Having quickly completed a review of all contracts, the interim connects with each of the agency's government and foundation supporters. Face-to-face meetings may be in order, though busy program officers may prefer a phone meeting. A relationship is established such that either party will quickly contact the other

Interims in Action

Founded in 1982 by church volunteers from Baltimore County, Paul's Place is a neighborhood services center serving the Washington Village ("Pigtown") neighborhood of southwest Baltimore. A few years back, committed volunteers had successfully raised \$1 million in a capital campaign, which resulted in Paul's Place moving into a newly renovated and larger community center. Like many volunteer-driven and founded organizations, Paul's Place encountered challenges to retaining executive directors in making the move from a small, volunteer effort to a professionally staffed program in its new facility. During a four-year period from 1997–2001, the organization had three executive directors.

The Paul's Place executive committee requested assistance from the Maryland Nonprofits Executive Transition Initiative when the third executive director resigned after six months on the job. The transition assessment identified the need to clarify board and executive roles and to broaden consensus on strategic direction before a new executive could be recruited. The board then agreed to hire an interim ED. During this interim period, Paul's Place:

- Conducted an organizational assessment and two board planning retreats;
- Clarified board, executive, and staff roles and put in place, modeled, and practiced new communication and management systems;
- Hired a director of children's programs and strengthened staff management;
- Sustained its strong volunteer base and funding support; and
- Clarified its strategic direction and the competencies needed in a new executive.

Following this interim process, Paul's Place hired a new executive director, and the board began to better understand its new role as a governance team, as opposed to its old role as a managing body. The board completed its initial six-month evaluation of the new executive director, and both board and executive reported that Paul's Place is making good progress. It is difficult to imagine Paul's Place making this transformation into a professionally managed nonprofit without the combination of interim executive leadership and transition consulting services.

In the words of then board president, Melanie Heacock, "The interim Executive Director identified a major disconnect between board expectations and staff's ability to deliver. With the interim's help, our board gained a better understanding of current staff's limitations and the need to improve staff capability. We created two new positions and hired good people for them. This took pressure off staff members who were trying to wear too many hats."

if problems arise or help is needed. Important to the agency, the funder can be encouraged to keep the interim abreast of new funding opportunities that emerge. Particularly useful may be leads for addressing infrastructure needs identified by the interim ED, for example, new accounting software or seed money for creating a staff fundraising position. Communicating early and candidly with funders can make them partners in the transition process and engage their help with capacity building.

Facilitating the transition

A critical interim ED duty, of course, is facilitating the agency through the activities that make for a healthy leadership transition. Many staff and others need opportunities to “let go” of their attachments to the previous executive. The interim ED helps them move toward closure by encouraging them to express themselves about what they appreciated in their previous boss, any resentments they’re holding onto, and what they would want to see done differently by the next permanent director. Losses are acknowledged, achievements celebrated, and a future vision begins to emerge. A healthy ending with the past frees agency players to more fully embrace the next executive.

The interim ED helps staff and board members clarify their aspirations for the agency and then think about what kind of executive they need to help them realize that fresh vision. In making sure the agency crafts an exciting future picture for its clients and programs, the interim ED enables them to take advantage of the opportunities inherent in leadership turnovers.

Teaming up with the transition and search consultant

An interim ED is often teamed up with a transition and search consultant in meeting the transition needs of a nonprofit. The first contact the board of an agency in transition typically makes is with a consultant who specializes in executive transition management and executive recruiting. For its part, the board is generally seeking support in its search for the next permanent ED.

The consultant begins by helping the board map out its four-to-six month executive transition work plan. If their departing ED has already left or will do so soon, a first piece of the plan is to find interim ED candidates. The consultant will do a quick assessment with the board to get a profile of what it needs in a temporary leader and then refer candidates from a pool of pre-screened, veteran, nonprofit executives.

Once the interim ED is hired, the board, interim ED, and consultant meet to divide up the transition responsibilities. The consultant’s primary focus then becomes the executive search and the clarification of agency challenges and aspirations that will indicate the skills needed in the next executive. The interim ED, with a hands-on perspective on agency operations, is an important partner in the assessment needed to make this work successful.

If they are unable to get special grants from their funders to cover search expenses, boards frequently take on search duties themselves, or they build candidate recruitment into the job description of the interim ED. A high-quality candidate search, however, is labor intensive. A volunteer board may be short on the focused attention and follow-through needed in recruiting. An interim ED may have to divert time from other transition and executive needs to adequately cover recruiting duties.

In CompassPoint’s experience, the agencies that have handled their transitions best and have thrived most under their new leaders are those that have taken advantage of both an interim ED and a transition consultant. It is important, as a result, to urge nonprofit funders to make available modest “transition grants.” A \$15,000 allocation to a grantee in transition, for example, can go a long way toward ensuring the continued success of that grantee, thus protecting the much larger dollar investment the foundation has in the agency’s client services.

Interims in Action

Doug is an energetic visionary who founded and then grew the South Bay Water Education Project⁶ into an agency with an \$800,000 budget and a 15-member staff in six years. Local educators gave the Project's school-based, environmental programs high marks and eagerly sought them for their classrooms.

South Bay's administrative systems did not, however, keep pace with the agency's growth. One of Doug's friends kept the books, but at a low level of sophistication. Financial reports to the board and to funders were chronically late. The staff grew restless as their duties grew haphazardly. Doug stonewalled their requests for more input into program decisions, which was consistent with his active, but controlling, leadership style. Staff turnover accelerated.

In this tough environment, Doug began to wear down. He asked the board for a sabbatical leave, and the board sought an interim ED from CompassPoint to cover Doug's duties for six months. Aware of the Project's inadequate finance systems, the board requested candidates who were particularly strong with accounting systems.

Maggie, the interim ED hired, immediately worked at getting the financial accounting up to date. After reviewing options, she recommended outsourcing the bookkeeping to a CPA firm with a strong reputation among nonprofits. Maggie also spent time listening to staff and seeking their suggestions for improving their morale.

Maggie realized that improvements to agency systems and structure would not "stick" if they weren't supported by Doug upon his return. Maggie approached the board cautiously with her observations; they had all been recruited by Doug and were understandably enthralled by his achievements as founder. She learned, however, that they also had become frustrated with Doug's failure to engage them.

Maggie helped the board to reach a decision to meet with Doug to seek his commitment to develop better ways of leading the organization. After a period of give and take, Doug reacted by resigning, and the board negotiated a generous severance package.

Maggie proceeded with her administrative systems' upgrade. She was able to attract back a skilled program director who had left a year earlier in a dispute with Doug. The board brought in a search consultant from CompassPoint, who produced a strong pool of candidates for the permanent ED position. The new ED has now been on the job for three years, and the Project continues its role as a valuable environmental educator and advocate.

⁶South Bay Water Education Project is the fictitious name for an actual client of CompassPoint Nonprofit Services. The names of all persons mentioned have also been changed.

The hand-off

The final duties of the interim ED are, of course, the orientation and installation of the new permanent executive. The interim may start by helping the board chair send off a letter to funders, donors, civic leaders, and peer agencies announcing the board's success in hiring a great new staff leader—and maybe acknowledging the invaluable service of the interim ED. The chair and interim ED will then suggest to the permanent executive who on that mailing list should get the first calls and requests for introductory meetings.

A one-week overlap in the job is usually sufficient to show the administrative ropes to the new hire. Meetings and briefings with direct reports are important first steps. A review of agency finances and budget projections should occur, along with a status report on all program contracts and deliverables. For the following two or three weeks, the organization may retain the interim to drop in one or two days a week to answer questions as they emerge for the new executive. He or she might then be available by phone on an as-needed basis.

One useful practice is for the departing interim ED to draft a report on the status of the performance goals that had been established at the beginning of his or her tenure. This can include what got done, what remains for the new ED to take on, and what new issues and challenges have emerged during the transition period. This might be presented in a meeting that includes both the ED and the board's executive committee. It brings closure to the tenure of the interim and supports the development of performance objectives for the new ED.

The last steps in this leadership transition are the goodbyes and acknowledgements for the interim. Again, a good ending for the departing interim ED makes room for a better beginning for the new, permanent executive.

Adams, Tom. *Capturing the Power of Leadership Change: Using Executive Transition Management to Strengthen Organizational Capacity*. Executive Transitions Monograph Series, Volume 1. Baltimore: The Annie E. Casey Foundation, 2004.

This brief monograph presents the ETM model as a set of potent and cost-effective techniques for use by nonprofit boards in addressing executive turnovers. Foundations and management consultants are urged to promote the model as a means of supporting their grantees and clients in their vulnerable transition periods, which combine the elements of both crisis and opportunity.

Bridges, William. *Managing Transitions: Making the Most of Change*. Boston: Perseus Publishing, 1991. *William Bridges has been a leading thinker and practitioner in the field of change management for over three decades. This very readable and relatively brief book (125 pages) presents an overview of his model, which has been a core text in training interim ministers, interim executive directors, and transition management consultants alike.*

Gilmore, Thomas. *Making a Leadership Change: How Organizations and Leaders Can Handle Leadership Transition Successfully*. Author's Choice Press, 2003. *This is a reprint of Thomas Gilmore's 1988 book, one of the earliest and best to apply change management theory to the practice of helping organizations thoughtfully approach their CEO turnovers.*

Gripe, Alan G. *The Interim Pastor's Manual*. Louisville: Geneva Press, 1997.

This is the revised edition of Gripe's 1987 manual that covers all aspects of the interim ministry, from qualifications and preparation to special concerns such as financial stability and occupational stress.

"Leadership Transitions: Critical Thresholds."

The Nonprofit Quarterly, Winter, 2002.

The Nonprofit Quarterly, a leading national journal "featuring innovative thinking in the nonprofit sector," devoted a full issue to the subject of executive transition management. Among topics addressed are the nonprofit board's role in a leadership transition and the importance of grounding transition strategies in a holistic approach to organizational development in nonprofits.

Managing Executive Transitions: A Handbook for Nonprofit Organizations. Washington, D.C.: Neighborhood Reinvestment Corporation, 1999.

Tom Adams is the primary author of this handbook, which he developed based on his pioneering ETM work for the member organizations of the Neighborhood Reinvestment Corporation.

Peters, Jeanne and Wolfred, Tim. *Daring to Lead: Nonprofit Executive Directors and Their Work Experience*. San Francisco: CompassPoint Nonprofit Services, 2001.

This monograph presents the findings from a survey of over 1,000 executives in five cities across the country. Questions focused on career paths leading to taking an executive position, the leading stressors for nonprofit leaders, and strategies and resources needed by executives to succeed in their jobs.

Redington, E., and Vickers, E. "Following the Leader: A Guide for Planning Founding Director Transition." *Leadership Report No. 1*. Columbus: The Academy for Leadership and Governance, 2001.

This 34-page booklet on succession planning in nonprofits packs tremendous wisdom into short chapters addressed to founders and long-time executives, their boards of directors, and their successors.



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