

HELPING ORGANIZATIONS ACHIEVE SUCCESSFUL LEADERSHIP TRANSITIONS

ABOUT THIS SERIES

The area of human services is a long-standing priority for members of the Association of Small Foundations (ASF). According to the ASF 2007-2008 Foundation Operations & Management Report, members gave more than \$620 million to human services in their most recent fiscal year, second only to education. At the core of human services is the well-being of children and families. This discussion guide, one in the series Investing in Strategies to Serve Vulnerable Children and Families, is designed to: provide clear and concise information to ASF members and other small foundations on strategies for supporting nonprofits that serve vulnerable children and families; and to share concrete ways that small foundations can invest in creating productive adulthoods for vulnerable children.

This discussion guide series is funded by and draws on the experience, learning, and resources of the Annie E. Casey Foundation. The Casey Foundation is the largest philanthropy in the U.S. dedicated to improving the lives of vulnerable children and families. The Casey Foundation is driven by its mission to find the most effective solutions that narrow the gap between children growing up in areas of concentrated poverty and their peers. Their work reflects the core belief that children do well when their families are strong and families in supportive communities are able to raise healthy and productive children.

MAKING THE CASE

The success and stability of nonprofit leaders make a tremendous difference to the organizations they shepherd and the communities they serve. As such, unexpected or unplanned for leadership transitions can disrupt an organization's programs for a period of time or even worse the organization can cease to exist. Not only does the organization itself suffer, but more importantly so do the children and families it serves. At the most basic level, planning for succession is a sound risk management practice. It is critical to ensuring the viability of an agency in the event of a key manager's unplanned absence.

For ASF Member Heather Carroll, the Executive Director of The Edmondson Foundation, leadership is about board and governance, and also about the CEO's performance. "More than anything," she says, "we focus on the interaction between the two." The foundation provides targeted funds that allow grantees to hire consultants who support and serve as mentors for the organization's leadership team. The Edmondson Foundation has been particularly successful in helping grantees through leadership transitions. A past executive director of an Edmondson-supported nonprofit said this:

"When I decided to leave and gave six months' notice, Heather came in to ask if the organization would like some transition support, and I said YES, YES, YES! We had enough of an organizational and personal relationship to be able to have that conversation, and I would have felt comfortable, too, saying no thank you."

Heather concludes, "As a grantmaker, it is often difficult to ascertain the scope of our impact, but supporting our community's nonprofit leaders always yields positive results. And we can provide this type of support for only \$2000 to \$3000. It's a great way to leverage your funding and your relationships in the community."

This discussion guide identifies the common issues in leadership transitions and provides suggestions on ways you can invest in this specific area, questions for discussion, and a list of additional information and resources. Whether you already fund programs and activities that support healthy leadership transitions, or are considering doing so, the guide will spark your thinking – and that of your foundation peers – and deepen your understanding of effective strategies to help organizations achieve successful leadership transitions.

DEFINING THE ISSUES IN LEADERSHIP TRANSITIONS

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. Though they happen infrequently to individual organizations, leadership transitions are increasingly common in the nonprofit sector. According to *Daring to Lead*, studies done in 2001 and 2006 by CompassPoint, a staggering 75% of nonprofit executives plan to leave their jobs within the next five years. Moreover, less than a third of these executives had discussed succession planning with their boards, raising a fair question as to how prepared their organizations are for this upcoming change.

Leadership Transitions: Increasingly Common and Potentially Costly

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. Too frequently, there is repeat executive turnover and extended periods of under-performance. In extreme circumstances, organizations go out of business, leaving a wake of broken commitments and financial entanglements.

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 with the community-based organizations that serve vulnerable children and families. For example, one out of every three of the Annie E. Casey Foundation’s community based grantees is founder-led.

Link the negative outcomes associated with poor transitions and the increasing frequency of those transitions, 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.

Why then, if leadership transitions are increasingly common and potentially costly and damaging, is the planning for them not better? Most community and public service agencies are relatively small, and supporting one or more secondary leadership roles can concentrate too much weight and expense at the top. Even in larger organizations, executives may avoid the issue for fear of compromising their authority and becoming “lame ducks.” Too often, volunteer boards would rather not have to contend with the time and leadership demands that succession planning requires. And funders who have built trust and comfort with an agency through a particular leader may pull back at any indication that an executive might soon depart.

Succession Planning

Succession planning has benefits beyond just avoiding the problems associated with a poorly managed leadership transition. Succession planning is critical to ensuring the viability of an agency in the event of a key manager’s unplanned absence. If an organization is large enough to develop a deep talent pool, it can sustain services through the temporary loss of one or more administrators due to sickness or emergency. But beyond that, an organization that gives ongoing attention to talent-focused succession planning can be more nimble and flexible, having the skills and capacity at hand to meet whatever challenges may arise. In turn, the executive’s job becomes more “doable” because leadership is shared. Finally, succession planning can both energize and reassure a board by providing the occasion for high-level strategy development and demonstrating that staff leadership is broadly shared and backed up. Leaders, boards, and organizations who can overcome initial reservations about succession planning ultimately find that this work generates unforeseen opportunities and excitement for the future.

In its 2008 publication *Building Leaderful Organizations: Succession Planning*, The Annie E. Casey Foundation outlines three ways to think about succession planning developed by CompassPoint Nonprofit Services and TransitionGuides:

- **Strategic leader development** is an ongoing practice based on defining an agency’s strategic vision, identifying the leadership and managerial skills necessary to carry out that vision, and recruiting and maintaining talented individuals who have or can develop those skills.

- **Emergency succession** (or leadership) planning ensures that key leadership and administrative functions, as well as agency services, can continue without disruption in the event of an unplanned, temporary absence of an administrator.
- **Departure-defined succession planning** is recommended when a long-term leader has announced his or her departure some years in advance. It includes identifying the agency's goals going forward, determining which tools a successor will need to have to achieve those goals, and devoting significant attention to building the capacity to sustain the organization into the future.

Executive Transition Management

While succession planning is important to successful transitions, knowing how to navigate the turbulent transition period is critical as well. With support from the Annie E. Casey Foundation and others, a number of practitioners—including Compass Point Nonprofit Services and TransitionGuides—have developed executive transition management or ETM, a unique approach to reducing the risks and maximizing the potential of the active transition period. The ETM model combines traditional executive search and organizational development services in a way that can be tailored to the transition and broader needs of any agency, from the smallest to the largest. The approach consists of a flexible set of widely adaptable practices that take place in three phases (see appendix for more information):

- **PREPARE: Transition & Search Planning:** The ETM process begins with transition planning. It should assess the organization's strengths and challenges, and confirm or clarify the organization's strategic direction, along with any transition-associated implications (e.g., is an interim executive needed?). Transition planning should be done within a capacity-building framework.
- **PIVOT: Search, Selection, & Organizational Preparation:** Pivot ETM activities generally include the all of the necessary steps from search to the formal hire itself. The search and selection phase takes place within an organizational development framework. The objective is to prepare a strong organizational foundation from which the new executive can succeed.
- **THRIVE: Post-Hire Launch, & Support:** In this final phase, the organization plans and conducts an appropriate welcome for the new executive. The executive develops an entry plan and the board and executive create a leadership agenda. A variety of capacity-building activities may be continued from earlier phases or even introduced for the first time.

HOW YOU AS A FUNDER CAN ACT

There are many ways that you as a funder can act to support healthy leadership transitions. Strategies that have proven to be effective in communities across the United States include:

Support an ETM Program in Your Community

Through its work, the Annie E. Casey Foundation has identified a variety of ways in which funders can support ETM programs in their communities. Each model has been used successfully by different funders in different communities across the US:

- 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;
- 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; or
- 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 or for management assistance generally.

Support an Interim Executive Director

Interim executive directors (EDs) are highly skilled managers who take the helm of an organization (four to eight months on average), help board and staff take on important systems and capacity issues, and lay the groundwork for the permanent leader's success. Although not every transition will require an interim ED, benefits include:

- An objective review of what is and isn't working within the organization;
- Specialized skills and expertise;
- Creating separation between the departing ED and the organization;
- Avoiding the rush to hire a new ED; and
- Cost-effective help—while the hourly compensation may be higher than the ED's, an interim ED can often be hired for less than full time and generally does not receive benefits.

Funding an interim ED can help a grantee come out of this transition stronger, and also signals to others in your community that you continue to believe in, and support, an organization.

Support the Next Generation of Leadership

With the impending retirement of Boomers, the demand for and on the next generation of leaders is only going to increase. However, the next generation of leaders may not be interested in carrying on business as usual. In fact, research from the Building Movement Project suggests that the so-called Gen X and Gen Y leaders most likely to take on top jobs may seek to restructure the executive role, creating collaborative or shared leadership models and job expectations that allow for a healthier balance between work and life. A national study produced in partnership by CompassPoint Nonprofit Services, the Annie E. Casey Foundation, the Meyer Foundation, and idealist.org – *Ready to Lead? Next Generation Leaders Speak Out* – surveyed 6,000 emerging nonprofit leaders about the disadvantages and benefits of heading a nonprofit organization and found substantial barriers in developing the pipeline of future nonprofit leaders. Funders can support the next generation of leaders – and reduce the barriers they face – by:

- Providing opportunities for younger leaders to access mentoring, coaching and other professional development opportunities;
- Identifying and nurturing more leaders of color;
- Promoting a healthier balance between work and personal/family life—help avoid burnout; and
- Allowing grants to be used for salaries and retirement plans, and making it financially viable for current leaders to leave.

Give more than money

There are numerous ways a funder can support an organization preparing for or during a leadership transition that do not involve giving a grant. Some examples include:

- Start a conversation about succession. Ask your grantees if they have a succession plan. Remember, however, that any question from a funder, and particularly one around a topic as sensitive as this, carries weight with your grantees. Be sure to broach the topic respectfully and in the context of a desire to help the organization be sustainable;
- Host a workshop for your grantees about succession planning and/or managing leadership transitions;
- Sponsor a networking/professional development brown bag series for emerging leaders;
- Listen to your grantees talk about their leadership challenges and let them know they will not be penalized for delivering bad news—and mean it! Trust and good communication are invaluable;
- Post a list of resources on your website; and
- Connect nonprofits struggling with succession planning or a leadership transition with others who have completed the process.

QUESTIONS FOR DISCUSSION

- Do you know any organizations that have gone through a poorly managed leadership transition? Why do you think the transition was difficult? What were the consequences for the nonprofit and for its clients?
- Have you funded a grantee through a leadership transition? Why or why not? If you have, can you share your experience – what were the challenges? What aspects of the transition worked well? Why? What pitfalls have you seen? What did you learn that you have now incorporated into your grantmaking?
- More on pitfalls – have you had experience with an organization that ran into significant trouble as a consequence of a poorly executed transition? If so, what might you have done differently as a funder, in retrospect?
- How might you introduce the topic of succession to a grantee?
- What are some of the leadership issues facing your community? The field in which you fund? How might this external environment impact leadership transitions?
- What funding strategies do you think would be the most effective ones for small foundations to pursue? Why?
- If it makes sense for you to fund in this area, who might you partner with? Who are some groups in your area already working in this field? How might you get started funding in this area?
- If you wanted to support leaders and leadership more broadly than just during times of transition, what funding strategies might you use?



Ideas from your discussion (use this space to jot down ideas generated by the discussion):

RESOURCES AND ADDITIONAL INFORMATION

(Titles in bold were cited or excerpted from in this discussion guide)

1. The Annie E. Casey Foundation, Executive Transitions Monograph Series
 - **Volume 1: Capturing the Power of Leadership Through Change: Using Executive Transition Management to Strengthen Organizational Capacity**
 - Volume 2; *Foundation Transitions: Creating Good Endings and New Beginnings*
 - **Volume 3 Interim Executive Directors: The Power in the Middle**
 - Volume 4; *Up Next: Generation Change and the Leadership of Nonprofit Organizations*
 - **Volume 5: Transition as Transformation: Making the Most of a Leadership Change**
 - **Volume 6: Succession Planning for Nonprofit Organizations: Building Leaderful Nonprofits**
2. The Annie E. Casey Foundation: The 2004 Nonprofit Executive Leadership and Transitions Survey
3. CompassPoint Nonprofit Services, The Annie E. Casey Foundation, the Meyer Foundation, and idealist.org: ***Ready to Lead? Next Generation Leaders Speak Out***
4. **CompassPoint Nonprofit Services and the Meyer Foundation: *Daring to Lead 2001 and 2006.***
5. Bridgespan Group: *The Nonprofit Sector's Leadership Deficit*, 2006.
6. Association of Small Foundations Primer Series: *Investing in Nonprofit Leaders*, 2009.

OTHER DISCUSSION GUIDES IN THIS SERIES

This discussion guide is one in a series on topics related to investing in strategies to serve vulnerable children and families. For other discussion guides, and for information on hosting an ASF Local Program please contact ASF toll-free at 888-212-9922 or asf@smallfoundations.org.