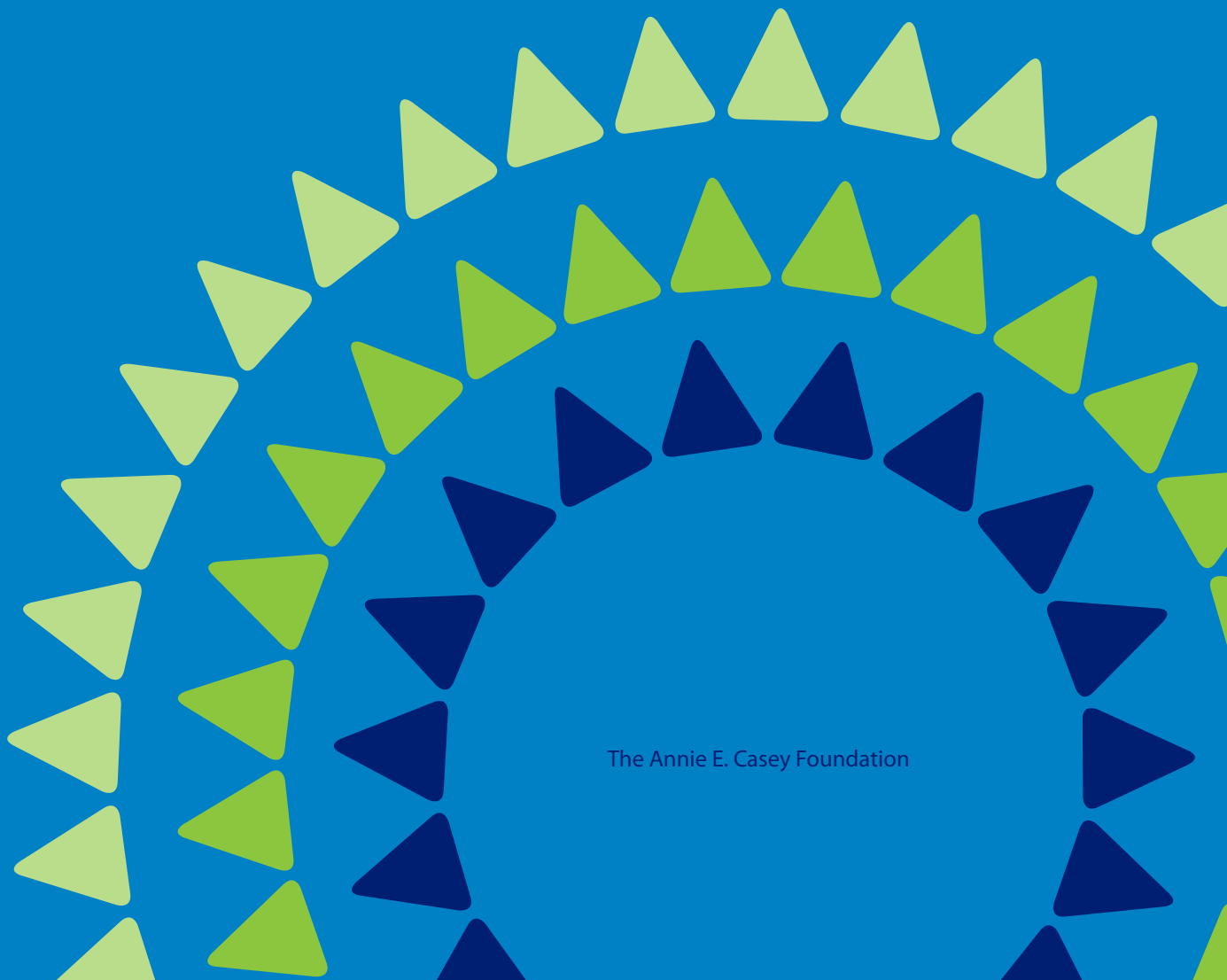


Building Leaderful Organizations

Succession
Planning For
Nonprofits



The Annie E. Casey Foundation

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 www.aecf.org.

By Tim Wolfred

CompassPoint
Nonprofit Services

www.compasspoint.org

This research was funded in part by the Annie E. Casey Foundation. We thank the Foundation for its support but acknowledge that the findings and conclusions presented here are those of the author alone and do not necessarily reflect the opinions of the Foundation.

About the Author

Before founding the Executive Transitions program at CompassPoint Nonprofit Services in 1997, Tim Wolfred served sixteen times as interim executive director of San Francisco Bay Area nonprofits. Tim began his nonprofit career in 1971 as executive director of an Illinois child welfare agency. He was an early organizer of local and national responses to the AIDS epidemic as executive director of the San Francisco AIDS Foundation from 1985 to 1989. He is co-author of two seminal studies of nonprofit executive director tenure and experience, *Daring to Lead* (2001 with Jeanne Peters) and *Daring to Lead 2006* (with Jeanne Bell and Richard Moyers). Both studies were published by CompassPoint.

The Executive Transitions Monograph Series

Building Leaderful Organizations: Succession Planning for Nonprofits is the sixth volume of a monograph series on executive transitions and executive transition management, funded in part by the Annie E. Casey Foundation and the Evelyn and Walter Haas, Jr. Fund. Other reports in this series include

- *Capturing the Power of Leadership Change: Using Executive Transition Management to Strengthen Organizational Capacity*
- *Founder Transitions: Creating Good Endings and New Beginnings*
- *Up Next: Generational Change and Leadership of Nonprofit Organizations*
- *Interim Executive Directors: The Power in the Middle*
- *Staying Engaged, Stepping Up: Succession Planning and Executive Transition Management for Nonprofit Boards of Directors*
- *Next Shift: Beyond the Nonprofit Leadership Crisis*

Table of Contents

The Power of Good People	3
Three Approaches to Succession Planning	6
Strategic Leader Development	6
Emergency Succession Planning	7
Departure-Defined Succession Planning	9
The Tough Issues	13
Into the Future	18
Resources	19

Overall, this paper has two primary goals. First, we seek to continue detoxifying the topic of nonprofit succession planning so that executives, boards, staff, and funders can take up these activities without unnecessary fear or concern. Second, we hope to provide nonprofit boards and executive directors a framework for their own succession planning activities.

The first section contains extended explanations of the three approaches to succession planning mentioned above. The second looks closely at tough issues organizations may face when

planning for succession. The last section offers tools and resources, many of which have been used by the leadership consultants who designed the three approaches.

We trust the material here is helpful. We hope that when you are finished reading, you will come to see succession planning (as we do) not as something to be dreaded or ignored, but as a significant, strategic, and exciting opportunity to increase your organization's service capacity, program effectiveness, and long-term stability and sustainability.

When we think about *succession planning*, what often comes to mind are large corporations in the for-profit sector. In that world, the idea usually revolves around finding and grooming the executive's heir-apparent, who like a runner in a relay race seamlessly receives the leadership baton and carries it forward. Succession planning for nonprofit agencies, however, is often a different matter.

First, it is rare. 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. Therefore, it is perhaps unsurprising that succession planning is not a top priority for most nonprofit leaders. Without it, however, an organization undergoing the stress of an executive's departure can find itself seriously destabilized or even in danger of collapse.

In this publication, we present alternative models of succession planning designed particularly for nonprofits. At its core, our approach focuses on aligning an agency's ongoing staff development with its strategic vision. In our view, staff skills should be nurtured with several ends in mind:

- Pursuing the agency's mission and service goals as effectively as possible;
- Ensuring agency stability by developing bench strength behind its executive and key managers; and
- Creating the possibility that successors for your executive director and top managers will emerge from your talent pool.

While a smaller agency may have little or no bench behind its executive, its effectiveness and stability can be enhanced by developing the abilities of board members or key volunteers to back up critical executive functions.

To make this model work, however, nonprofit executives must be willing and able to *let go* and allow their organizations to distribute managerial and leadership responsibilities among a number of staff. These executives must relinquish an all-too-common vision of heroic leadership, in which they valiantly and alone confront almost impossible demands on their time, emotions, and energy. Most importantly, they must be truly willing to share authority. This is a lot to ask of many nonprofit leaders.

The Case for Succession Planning

At the most basic level, succession planning 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. 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.

Planning for succession in a single agency may also benefit the entire network of nonprofits so important to the health of communities. As staff develop their skills and ambitions, some will migrate to job opportunities in other agencies, while those same agencies will return the courtesy with potential leaders from their own staffs. As succession planning takes root as a standard practice, the entire nonprofit sector will become that much stronger and more effective in pursuing its community impact aims.

Despite its many benefits, nonprofit organizations are only now beginning to recognize the need for succession planning. In part, this is because so many Boomer generation executives—some of whom have been in their positions for 20 years or more—are close to tendering their resignations. *Daring to Lead 2006*, a publication of CompassPoint Nonprofit Services and the Meyer Foundation, surveyed 1,900 nonprofit leaders and found that 75 percent planned on leaving their positions within the next five years.¹

Aging Boomers aren't the only issue. 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.² Succession planning in Boomer-led agencies can lay the groundwork for making these kinds of organizational changes.

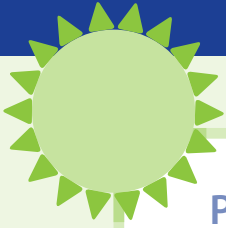
Three Ways of Thinking About Succession Planning

This monograph will focus on three approaches to succession planning, developed by leadership transition consultants at CompassPoint Nonprofit Services in San Francisco, CA, and at TransitionGuides in Silver Spring, MD. These concepts are not mutually exclusive. Organizations, however, may find that one or another may be most appropriate to their situation and stage in the organizational life cycle:

- **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 date two or more years in advance. It includes identifying the agency's goals going forward; determining which tools a successor will need to have in his or her skill set to achieve those goals; and devoting significant attention to building the capacity of the board, managers, and systems to sustain funding and programs beyond the current executive's tenure.
- **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 who can develop those skills.

¹ Bell, J., et al., *Daring to Lead 2006*. CompassPoint Nonprofit Services, 2006.

² Kunreuther, F., *Up Next: Generation Change and the Leadership of Nonprofit Organizations*. Annie E. Casey Foundation, 2005.



Preparing for the Inevitable: A Succession Readiness Checklist

When the following conditions are in place, an agency can expect a relatively smooth transition to new leadership whenever it might occur. An agency might determine which elements below are lacking in its current operations and then create a “succession plan” or “capacity building plan” that prescribes activities and timelines for filling the gaps. The agency is then ready for leadership transitions, foreseen or unforeseen.

- A strategic plan is in place with goals and objectives for the near term (up to three years), including objectives for leadership talent development.
- The board evaluates the executive director annually on general performance and achievement of strategic goals.
- The board, based on its annual self-evaluation, is satisfactorily performing its major governance jobs—financial oversight, executive support and oversight, policy development, and strategic planning.
- The executive’s direct reports, based on annual evaluations, are judged as solidly skilled for their positions.
- The top management cohort, as a high performing team:
 - Has a solid team culture in place in which members support one another and can reach decisions as a group efficiently and harmoniously;
 - Shares leadership of the organization with the executive in having significant input to all major agency decisions;
 - Can lead the organization in the absence of the executive; and
 - Has authority to make and carry out decisions within their respective areas of responsibility.
- Another staff person or board member shares important external relationships (major donors, funders, community leaders) maintained by the executive.
- A financial reserve is in place with a minimum of three months’ operating capital.
- Financial systems meet industry standards. Financial reports are up to date and provide the data needed by the board and senior managers responsible for the agency’s financial strength and viability.
- Operational manuals exist for key administrative systems and are easily accessible and up to date.
- Top program staff have documented their key activities in writing and have identified another staff person who can carry their duties in an emergency.

With the support of the Annie E. Casey Foundation and other funders, CompassPoint Nonprofit Services and TransitionGuides have identified and developed three different ways of approaching succession planning in the nonprofit context. While each has different characteristics and is appropriate for different organizations and situations, all promote a strategic, proactive approach to ensuring that nonprofits nurture, identify, and recruit the leadership they need to succeed.

CASE STUDY

A Sabbatical Leads to a Strategic Leader Development Plan

Bill (not his real name) was a hard-driving executive director of a nonprofit housing development agency he had founded five years earlier. The agency now had a \$1.8 million annual operating budget, 17 staff, and several projects in development; and Bill was burning out. He wanted to take a six-month sabbatical to rejuvenate.

Bill was carrying out all of the major executive functions. For instance, he crafted the financing package for every real estate project the agency took on. He knew he had to create a management structure to which he could delegate parts of his job. Until it was in place, he couldn't take a leave.

Bill engaged a consultant to help him create a broad-brush, five-year strategic vision for the agency and the administrative structure that would be necessary to support projected growth. He promoted three existing staff to deputy executive positions and added two additional director positions to the management team, which were filled through recruitment.

All five deputies worked on creating a plan for developing staff strength behind them and identified the skills required to carry each of their management positions. They then crafted training plans covering the required skills each of their supervisees. Each also named a backup who would step up in an emergency.

Twelve months after he began the restructuring, Bill took his sabbatical. Today, four years later, he reports he has avoided a return to his days of overworking, and the agency has prospered, now operating under a \$5 million annual budget.

Strategic Leader Development

This type of forward thinking in planning works at expanding an organization's pool of capable leadership so that it can steadily follow its long-term vision and mission, undeterred by staff or board member transitions. Getting "the right people on the bus," as Jim Collins in *Good to Great* has written, is critical. This may mean training talented people already on staff, making new hires, or both. In the final analysis, any succession plan is only as good as the people available to execute it. In small nonprofits, there may simply be too few workers to do extensive strategic leader development. In these cases, however, the other two succession strategies — emergency planning and departure-defined planning — are still relevant.

Strategic leader development can be closely aligned with the strategic planning process. As this planning begins, an organization's first step is to develop a strategic vision and arrive at a clear sense of its long-term goals and direction and to determine the leadership competencies necessary to get there. The organization then creates professional development plans to assemble a pool of talented individuals within the staff who can meet its future leadership needs.

Creating plans to build bench strength for all positions on a management team involves several steps. First, the core skills required of each position should be clarified. Then each manager creates a skill-building plan to fill any identified gaps in his or her skill set, as well as professional development plans for any supervisees who have the potential to assume greater responsibilities over time.

One founder of a large nonprofit, who had led her organization for 25 years, turned to executive transition consultants for help in building the leadership skills of her three division managers. She felt that her managers were overly dependent on her for top level program and strategy development. Because she saw herself leaving in five years, she knew they would have to become more capable leaders. To build new skills, she tasked each manager with identifying an unmet community need that fell within his or her division's mission. Next, each manager had to envision and design a program to address this

need and find funding to implement the program. The executive stepped back into a coaching role and forced the managers to develop their leadership muscles.

In another case, two deputies from a 12-person mental health agency needed help in improving their abilities to lead their agency. The executive director, a 25-year founder, was erratic in sharing information and delegating responsibilities to the deputies, both of whom had been in the agency for less than five years. They wanted coaching both on building their individual capacities and on devising strategies to convince the executive to share leadership with them. The executive was skeptical about the benefits of coaching, but she approved their having a coach after they identified a grant source to cover the expense. Some months later, after seeing the positive impact coaching had on building her managers' skills at leading their departments, the executive agreed to engage the coach to help her build a better team culture at the top of the agency. She wanted to become more effective in delegating and sharing executive duties with her deputies.

Emergency Succession Planning

The primary goal of Emergency Succession Planning (ESP) is to prepare an organization for the unplanned departure of a key manager. The most critical circumstance, of course, would be losing an executive director (ED); but to further reduce program risks, it is useful to have emergency plans for other senior staff and board positions as well. The steps involved in setting up these plans, beyond preparing for emergencies, can also help launch an agency into long-term, strategic leader development.

Beginning the process

Because some individuals in key positions may find the words "succession plan" uncomfortable, you may want to call yours an "emergency backup plan" or "emergency leadership plan." It's important to detoxify the idea as much as possible for everyone involved.

The first step in planning emergency coverage for any position is to clarify the position's key responsibilities. A staff person or persons can then be trained as back-ups to perform those

responsibilities. In a very small agency, the standby might be a board member or a volunteer. The board treasurer, for example, could be the emergency backup for financial management. A plan for building each back-up's skills might include taking classes, completing readings, and shadowing the person who holds the position under study. The "trainee" can then be given an opportunity to carry out the duty temporarily.

Beyond preparing an agency for the unexpected absence of a top leader, ESP has other important outcomes as well. For the ED, it is a safe way to begin the discussion about succession without implying that he or she is considering departure, thereby causing undue anxiety among staff. Also, through the training that is part of ESP, the management team becomes stronger and more able to carry on the duties of the CEO, which can result in making the ED's job more doable and freeing the executive to focus on putting his or her time and skills to their best use.

The board should be closely involved in emergency back-up planning for the ED position, since one of its primary duties is to ensure that the agency is competently led. Board involvement also heightens awareness of the critical dimensions of the executive's job, which is great preparation for recruiting and hiring the right successor when that becomes necessary.

A template for emergency succession planning is available on the CompassPoint website at www.compasspoint.org/et.

Key steps

In planning temporary coverage for the executive director, we recommend the following steps:

- Identify the critical leadership and management functions of the ED.
- Agree upon which functions should be covered by an acting director, the extent and limitations of his or her authority, and which functions a second manager should cover (e.g., government funder relations might be covered by the director of programs).
- Agree upon who has authority to appoint an acting director.
- Agree upon standing appointee(s) to the position

CASE STUDY

The Importance of Sharing Knowledge

In 2004, Betsy Nelson had no immediate plans to leave her position with the Association of Baltimore Area Grantmakers (ABAG), but having served as its executive director for 14 years made one thing clear: the organization's operational history resided largely in her memory. For that reason, Mary Wheeler, then president of the board, felt ABAG's operations had become too reliant on Betsy. If the ED suddenly had to vacate her position for any reason, the organization would be in trouble. The possibility had occurred to Betsy, as well. Her first sister had died of breast cancer, and her second had also developed the disease. Betsy wasn't in a panic, but with such a strong family history of cancer, she didn't feel invulnerable either.

At the time, neither Betsy nor Mary knew anything about succession planning. "Knowledge management" was the buzz phrase then, and they initially used it to frame the challenge they had set themselves. They intended to do a "brain dump," that is, try to glean everything they could from Betsy's memory so that others could use the information.

Betsy mentioned the idea to Denice Rothman Hinden, President and Founder of Managance Consulting, who was consulting with ABAG on behalf of the Annie E. Casey Foundation on an organizational strategic plan then in the works. The idea excited Denice, who had had considerable experience in the succession planning field. She recommended that ABAG develop two plans: one to describe its policies with regard to Betsy's eventual leaving and how it would be handled, and a second that set out procedures in case she became suddenly indisposed and had to vacate her position either temporarily or permanently.

With this in mind, Nelson, Wheeler, and Hinden, along with former ABAG board president Betsy Ringel and senior staff person Tracey Rutnick, held a three-hour meeting to work out the particulars. "At first it was an out-of-body experience for me," says Nelson. "You're both in the room but talking about not being in the room. What it did was force some issues in a good way. It objectified that the organization was so closely aligned to me, but kept putting forward that the ABAG had its own life. That's what this was about—how to ensure that ABAG would continue on."

The resulting documents left Betsy feeling better about her legacy. She had seen other EDs leave under unplanned circumstances, and the aftermath hadn't been pretty. She could now be confident that ABAG would continue to thrive and improve after she had gone. Now she views succession planning as an ongoing process. She regularly takes the plan out to update its details and to walk new board presidents, board members, and staff through it step by step.

of acting director (with first and second back-ups) and compensation for the acting director(s).

- Develop a cross-training plan for the identified back-ups that ensures they develop their abilities to carry on the ED's key functions.
- Agree upon how the board will support and supervise an acting director.
- Draft a communications plan to be implemented in the event of an emergency succession (who gets notified and how).
- Outline procedures to be followed in the event that an emergency absence becomes a *permanent* unplanned absence.

Board roles

Some agencies engage a consultant to help them develop their plans. The consultant guides the ED and managers through the eight components listed above, writes the plans, and supports the ED's presentation of the plans to the board for feedback and ratification. All designated back-ups, of course, are involved in the planning as well. It is critical that the board ratify the emergency plan for the top executive position. The executive may approve the emergency back-up plans for other managers and release the plans to the board as information only.

The board may want to take a more hands-on role in developing the ED's emergency plan. In such cases, we recommend that the board select two members (typically from the Executive or Personnel Committee) to form an Emergency Succession Planning Committee tasked with

- Identifying the core executive functions;
- Providing comments on plan drafts developed by the ED;
- Presenting the plan to the full board for review and adoption; and
- Working with the consultant on the board's procedures to manage an executive transition in the event of a permanent absence.

Among other leaders who might consider having an ESP are board members who hold key leadership positions, such as the board president or the chair of an endowment campaign. The board can

organize itself to support this planning by providing a committee of peers to act as a sounding board. For example, the executive committee or board development committee may work with the board leader in developing his or her plan. The ED should also be consulted during the planning process. The board should approve plans as a matter of policy.

The benefits of taking a break

Once the cross-training of their designated back-ups concludes, some executives test the skills of their management teams by taking a planned leave or sabbatical. Before leaving, to optimize the learning opportunity, they may instruct their board and managers to contact them only in the event of an agency emergency. When the ED returns to the job, he or she may debrief managers and the board on lessons learned. Quite frequently, the acting leaders will introduce management innovations that remain in place after the return of the ED. Or some duties assigned to the backups during the sabbatical may remain with them when the executive director returns, freeing the executive to give attention to previously neglected domains. A brief outline of a suggested process for planning and managing a sabbatical and for mining the lessons learned is available at www.compasspoint.org/et.

Departure-Defined Succession Planning

Organizations with strong leaders, especially long-term EDs or founders, should seriously consider departure-defined succession planning. By the very nature of their sustained success, these EDs' exits inevitably make a strong impact on their organizations. The negative effects can be avoided with thoughtful succession planning.

This third type of succession planning is especially recommended for the longer-tenured ED (generally ten years or more) who has a relatively definite departure date in mind. Typically, that date is two to three years out. The work required by these agencies to ensure a successful hand-off to new leadership requires at least eighteen months of preparation prior to the scheduled departure. However, stretching the work over more than three years gives it too little immediacy to inspire sustained interest and commitment to the process.

The goal of Departure-Defined Succession Planning is to build leadership strength in an agency so that it can reduce its dependency upon the skills, charisma, and relationships of the incumbent ED and “stand strong” without his or her presence. It also sets the groundwork for a successful search for new leadership.

The starting point

The work typically starts with a period of private reflection by the ED, who eventually approaches the board chair or a trusted member (going to the entire board first can be tricky) for some confidential discussions with regard to his or her thoughts about leaving. This confidential period provides safety and space for the ED to work through his or her issues of greatest risk and concern related to succession. Productive deliberations should address the ED's personal and professional issues around his or her planned departure. The departing ED naturally needs to consider legacy questions, career plans, and assumptions about employability and personal finances.

An ED beginning to ponder whether it's time to begin thinking about planning a departure will find suggested questions in a self-reflection tool on page 15. The ED who has difficulty answering questions in part one of the tool because he or she is struggling over the decision to leave might reach clarity by engaging help from a professional coach. Parts two and three of the self-reflection tool speak to the personal and organizational barriers long-term EDs often face once they have decided to make a job change. For the ED working through personal barriers, again, a coach can be a valuable partner. To deal with organizational impediments, developing staff and board abilities to carry leadership functions is essential.

In some cases, the ED engages a consultant to help think through how best to inform the board of his or her intentions and when and how to take the communications further. In early discussions with the board, setting a departure date to work toward is important—optimally, as mentioned earlier, at least 18 months out. Without a relatively firm date in place, the ED's decision to leave the agency remains tentative, and all parties' commitment to do the demanding work involved will be concomitantly hesitant.

Letting go—on both sides

Redington and Vickers frame the departing executive's final two leadership tasks as the "leadership of letting go" and the "leadership of preparing the way."³ The degree to which the ED has successfully worked through the personal and

professional issues discussed above will determine the degree to which he or she will be comfortable in handing the agency controls to others. For instance, remaining questions about what comes next in the ED's career and unhappiness over the looming loss of status and identity as the renowned leader of his or her agency will make the succession planning process uncomfortable, if not excruciatingly painful. The ED who fights

³ Redington, E. & Vickers, D., *Following the Leader: A Guide for Planning Founding Director Transition*. The Academy for Leadership & Governance, 2001.

The Nuts and Bolts of Departure-Defined Succession Planning

In creating a succession plan for a long-term executive, an agency should consider the activities below. Together, they address the elements critical to setting the agency up for success with the next ED.

- 1 Deal with personal and professional barriers for the departing ED, for example:
 - Future employability concerns;
 - Inadequate retirement savings;
 - Unfinished business in the current job; and/or
 - Loss of identity and status attached to current job.
- 2 Set the departure date.
- 3 Form a Succession Planning Committee.
- 4 Prepare a communications plan (how soon to tell whom and by what means).
- 5 Identify agency vulnerabilities via a "sustainability audit."
- 6 Design and implement strategies to address the vulnerabilities.
- 7 Identify the agency's broad strategic directions three to five years out.
- 8 Solidify the management team in light of agency vulnerabilities and skills demanded by the strategic directions.
- 9 Build the Board's leadership abilities.
- 10 Back-up key executive relationships.
- 11 Put finances in order.
- 12 Build financial reserves and secure multi-year program funding.
- 13 Agree on the parameters of the ED's emeritus role-if one is set up.
- 14 Set the executive search strategy, i.e., decide whether or not to use an executive recruiter.

letting go of the job and status with the agency will ultimately impair the organization's ability to fully hand over the reins to new leadership. In the worst cases, this can mean a short and troubled tenure for the successor.

A coach can help a long-term or founder ED be mindful about understanding and practicing the final leadership tasks. Other supports might include the Next Steps workshop, which is designed for EDs thinking about leaving their organization (see Resources section). Turning to trusted friends or meeting regularly with another ED who has already been through a transition can also help with the process.

Agency stakeholders—staff, board, funders—need to tend to their own letting go. As the ED's tenure comes to an end, they need to offer a full and generous goodbye to the leader upon whom they've depended in a variety of ways. Appreciation rituals, which also serve the closure needs of the ED, are critical to the constituents' readiness to move on with a new executive. William Bridges, in his book on managing transitions, asserts that for a group to fully embrace the style and ways of a new leader, they must first let go of the old.⁴ Bridges asserts that, in addition to concrete steps toward letting go, such as holding goodbye parties and making sure the ED physically separates from the agency facilities, a critical element of letting go is time. Staff and board need time to emotionally and psychologically separate from the ED.

Whatever attachments to the old leadership remain when the new ED starts will detract from stakeholders' abilities to embrace the new leader. To provide time and space for those attachments to dissolve with the departure of a particularly dominant and charismatic leader, some agencies have found it very helpful to bring in an interim ED. The failure to provide for an interim breathing period is one primary reason that so many EDs who succeed founders survive less than two years. They unintentionally become interim executives.

Preparing the way

A critical early step in this process is conducting a "sustainability audit." The audit is a survey of administrative operations and resource relationships. It identifies key points of organizational vulnerability that could seriously inhibit agency functioning with the departure of the incumbent ED. A typical high-risk situation occurs with an ED who over the years has taken on "whatever needs to be done." This results in the ED performing the equivalent of more than one job and makes replacing him or her nearly impossible. An administrative restructuring may be in order, which could include the creation of a new management position to take on some of the functions of the current executive.

Another high-risk area is financial oversight, which can often be highly dependent on information informally held by the ED. The ED may also be the lead fundraiser or sole person in the agency who relates to some of its funders and donors. Standardizing systems and broadening relationships with grantmakers to include other staff are crucial strategies. During the implementation stage of Departure-Defined Succession Planning, there is time to develop agency capacities in any number of critical areas of vulnerability.

Finally, the organization should look at how leadership can be cooperatively shared throughout the organization to reduce dependency on the top staff leader and take advantage of staff development opportunities made possible by the impending departure. The successor will thrive if he or she inherits a doable ED job description with a competent management team sharing management and leadership responsibilities.

Getting the board on board

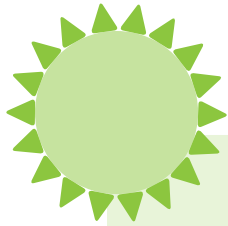
While the departing ED explores the leadership of preparing the way and letting go, the board's challenge is to step up in appropriate ways during this time to assist and support the ED and oversee the preparations for new leadership. As the ultimate guardian of the agency's mission and operations, and employer of the executive director, the board has an essential role to play in executive

⁴ Bridges, W., *Managing Transitions: Making the Most of Change*. Perseus Publishing, 1991.

succession planning. A succession planning committee should act on behalf of the board to provide oversight and to craft strategies and work plans for the board to review and ratify.

The work may need to include the board's looking to creating a succession plan of its own if it has not built its own bench strength and set term limits for its members. In the absence of board

term limits, the long-term executive may have a board of long-serving members who plan to exit in tandem with him or her. In that case, the board will need to plan for its own leadership succession while maintaining a board contingent that can act as a solid bridge between the departing and entering executive directors.



Tools You Can Use

Some of the tools created by CompassPoint's succession planning consultants are available online at www.compasspoint.org/et. These include

Sustainability audit surveys. For a sustainability audit, staff and external-stakeholder input is important in identifying agency vulnerabilities and strengths. Gathering staff and stakeholder comments either in person or via a survey engages them in the planning process and thereby reduces their anxieties about the impending leadership change.

Staff survey. The staff survey, which is completed anonymously, seeks candid input on infrastructure and leadership development needs. Online tools such as Survey Monkey (www.surveymonkey.com) are easy to use and provide an efficient means for distributing surveys and collating responses. Once the survey's results are compiled, it's often helpful to present them to groups of staff for discussion.

Stakeholder survey. The questions are generally posed in phone interviews with important supporters of the agency such as foundation program officers and civic leaders.

Strategic Leader Development Plan. This is an outline, in the form of a table of contents, for a plan that was developed for a 14-person agency with an annual operating budget of \$1.3 million.

Sample Emergency Succession Plan. This model provides a step-by-step description of areas that a complete emergency succession plan should include.

The Board Initiates It

Until succession planning becomes as routine in the nonprofit sector as strategic planning and revenue diversification, it will require extra effort on someone's part to get it going. Typically, the process starts—usually with some anxiety—when the executive director first entertains thoughts of leaving his or her position, or in the case of a long-standing deputy, when the deputy tells the executive that in a year's time he or she wants to move on.

The better practice is for the board, in partnership with the ED, to see succession planning as an essential governance responsibility related to its duty to provide for staff leadership. This has greatest impact on agency outcomes when it's done as a piece of a larger strategic planning effort. The board-executive team updates the organization's vision, goals and direction, and then the more particular strategies for, among other concerns, acquiring, developing, and retaining the talent needed to achieve the stated goals.

The situation is tougher when the board must initiate the first succession planning discussion with a longstanding ED. The board doesn't want the ED to feel that it is rushing his or her departure. On the other hand, it may see that a time is coming when the ED may no longer fit with the agency's leadership needs. The agency may be growing dramatically or need program development in areas that neither hold the interest nor fit the abilities of the ED. Or perhaps the ED is simply wearing out after having worked long and hard.

As the ultimate guardian of the community's investment in the agency, it is the board's duty, regardless of its practices to date, to attend to succession planning—and long before leadership issues create a crisis for the agency.

Knowing When It's Time to Leave

There are no term limits for executive directors. It's generally up to the incumbent to decide when his or her tenure should end. An ED may realize that the agency has gone as far as his or her interests and aptitudes can take it. The organization's particular area of interest or operation may be changing in ways that demand a different set of skills. Perhaps the ED is ready

CASE STUDY

An Executive Discovers the Time Has Come

The Highbridge Community Life Center in the Bronx started out in 1979 with two Catholic nuns, Ann Lovett and Mary Moynihan, providing community services from the vestibule of a church. Today, the organization is spread over seven local sites and an eighth, a 150-acre retreat and Empowerment Center, located 60 miles northwest of New York City. It employs 115 people and offers adult education, family counseling, and many other services to Highbridge, the poorest Congressional district in the United States. It has grown into a substantial and complex organization that requires talented executive leadership. Since 1985, Brother Ed Phalen has been filling that role as executive director (ED).

Ed has seen Highbridge change in some fundamental ways during that time. Employees now enjoy a pension plan and salaries that match industry standards. The Center moved from offering bare-bones social services and has become a hub for community organizing. Perhaps as a result, Ed developed an interest in nonprofit life cycle theory, particularly through the work of author Susan Kenny Stevens (*Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity*). It was from her writings that he learned about succession planning, which started him thinking about his own career—and retirement.

He mulled over the idea for two years before announcing his impending departure at a board retreat. He also talked about the need to plan for a successor. To his surprise, the board members weren't shocked. "None of us had been talking about it, but all of us had been thinking about it," Ed says. And so the process began.

Initially, staff found the news more difficult to accept. He finally had to encourage them strongly to stop mentioning his departure every time a routine challenge came up in the course of a day. "They were constantly saying things like, 'We have a couple of problems. The air conditioner's broken, and you're leaving in January,'" he explains.

Since then, board, staff, funders, and clients have all gotten used to the idea of Ed's leaving, and they've begun to see it as an opportunity for the organization to mature. The succession plan he created with the help of TransitionGuides consultants Tom Adams and Lisa Burford Hardmon clearly defines the Center's agenda for the next permanent ED. It also appoints an interim ED, a nine-year veteran of the Center, to take over the position for 18 months after Ed's departure. Her mandate will be to lead Highbridge in finding and putting a permanent ED in place by the end of her tenure, and in so doing involve the board as much as possible.

All in all, he's proud of how the Center has used succession planning to its advantage. "It's a credit to the process and also to the way in recent years authority has been shared as we become a mature organization," he says.

for a fresh challenge or wants to move to a job that is less demanding in terms of hours required and fundraising challenges. Or maybe retirement or semi-retirement has begun to look inviting. Coming to the awareness that it's time to go is a tough but inevitable moment in every ED's career. To be ready for it, the wise executive periodically reflects on the question, "Am I still the right person for this job?"

One obvious time to consider the answer is during the board's annual evaluation of the executive's performance. Still, departure discussions between board and ED are delicate. They are also necessary to ensure that the agency will have the greatest impact possible. They are easier if the board and ED have developed a productive working relationship that values candor coupled with respect for each other's needs. Without that foundation, reflection on ongoing fit will either be contentious or not happen at all.

For the ED, comfort in approaching the question of ongoing fit is also a function of how much career planning he or she has done. The executive who has kept professionally tuned up for new opportunities can more easily consider the departure option rather than holding onto a position for its paycheck or the community status it bestows. If problems arise, consulting a career coach may also prove a good option.

Grooming a Successor

Grooming a successor, in theory, would seem to be a best practice for all nonprofit executive directors, but in reality, it can be rife with pitfalls, some of which are more easily avoided than others.

For example, naming an "heir apparent" some years before an executive's expected departure can end with the discovery—just as the ED is about to leave—that the nominee is unsuited for the position. As many have learned, an administrative deputy with the organizational skills to "keep the trains running on time" may not have the temperament or skills to be a creative visionary and build external relationships. In these circumstances, the rejected heir, whose organizational skills may be otherwise important to the agency, is likely to leave.

In another scenario, the deputy has not publicly received the title, but the executive has privately

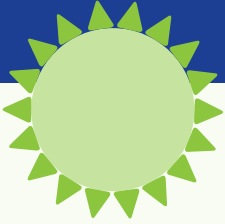
undertaken to groom him or her for the position. Ultimately, the board begins its search and decides the deputy should compete against other candidates recruited through a full-blown search. A power struggle between board and ED ensues.

If there is a high-potential successor (and the agency seeks to maintain its current direction), the ED should engage the board as soon as possible in the process of grooming the candidate and fulfilling its due diligence by independently determining whether the potential successor is both willing *and able* to be the next ED. The agency should establish skill requirements in line with the agency's strategic directions. The board and ED can then set performance benchmarks, which the candidate will have to meet in the years leading up to the leadership transition. The board should also set a date to decide whether to go with the groomed candidate or proceed with an external search.

Retirement Packages

A board may find that providing a departing ED with a retirement or departure package is important. The agency may have no retirement savings plan—such as a 401(k)—in place. The older Boomer executive may have limited funds set aside for retirement. Some EDs who privately acknowledge it is time to leave hang on because of financial necessity. Also, the longer-term executive's salary may have fallen significantly below market, and the successor's salary may have to be set at a much higher level. For these and other reasons, failing to offer the departing executive a financial package can make for a sour ending that will detract from an enthusiastic beginning for the next person in the job.

The package can take a variety of forms. There is no nonprofit industry standard or common practice, but boards should consider reasonable compensation based on comparisons among the private, public, and nonprofit sectors. Because of limited resources, a board may be unable to offer all that it thinks is justified. In some cases, the package might come as a financial gift pegged to certain criteria—for example, \$2,000 for each year of tenure. In others, it is a one-year consulting retainer equal to 50 percent of the executive's final annual salary. One board gave



Am I still the leader this agency needs?

{ questions for self-reflection }

1 My On-Going Effectiveness

- In what ways will this agency be changing over the next five years? What skills will it take to lead those changes? Do I have them?
- Are there new things I suspect this agency should be doing for its constituents that I just don't have the energy or interest in taking on?
- What level of excitement do I feel most mornings on my way to the office?
- What new skills or better ways of doing my job have I developed over the past couple of years? Am I eager to learn and improve my skills?
- Do I continue to be effective in building the leadership and management skills of my direct reports? What new duties or responsibilities have they taken on in the past two years?

2 Personal Barriers to Leaving: If it became clear to me that I should consider leaving my job, what personal barriers would I encounter?

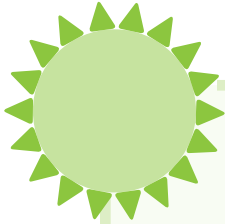
- Can I conceive of a career move that would potentially excite and re-energize me? Or do I assume I'll be bored and without meaning in my life?
- Do I fear I could not get another job because of my age? Do I have the skills for a different kind of job?
- Am I financially constrained? Do I not yet have enough set aside to retire or to work fewer hours and at a lower salary?
- Are the professional identity and status I have in this job so critically important to me that I don't want to give them up?
- Am I concerned about leaving some things undone in the agency?
- Do I believe there is no one out there who can do this job as well as I can or could do it even adequately? Would the agency go into decline without my leadership?

3 Organizational Barriers to Leaving

- Would staff and board resist my decision to leave? Might they even feel angry or abandoned?
- Would I be leaving the agency in less than good shape?
- Are some key managers under-skilled and dependent on my close guidance?
- Is the management team unable to run the agency for a significant period of time without me?
- Is the board up to managing a leadership transition?
- Are there funders and major donors whose support I assume is dependent on my presence?
- Are there key relationships held by me alone?

an expenses-paid trip to Europe for a retiree who was fond of traveling.

There is, however, a caveat: When a package involves a significant number of dollars, make certain to consult with an attorney versed in nonprofit law regarding any applicable restrictions on financial bonuses or gifts.



Finding an Interim Executive Director

Candidates for an interim ED assignment can be found via formal or informal networks in many cities. The better candidates are nonprofit professionals who have previously been executive directors. Some regions have intermediary agencies that have recruited interim ED candidates and oriented them to the unique features of interim leadership. Some independent nonprofit consultants have made a career of moving from one interim engagement to another. Where formal networks don't exist, the United Way or a foundation that funds local nonprofits will often know of veteran nonprofit leaders who can provide interim leadership.

An earlier monograph in this Casey Foundation series on executive transitions is devoted to the challenges faced by founders as they leave their organizations—*Founder Transitions: Creating Good Endings and New Beginnings*. Another monograph in the series, *Interim Executive Directors: The Power in the Middle*, is devoted entirely to best practices regarding interim leadership.

The “Founder Syndrome” Antidote: An Interim Executive

A founder's or long-term executive's professional identity is generally tightly intertwined with that of the agency he or she has created or served. As a result, this kind of a leader's leave-taking often does not include, consciously or unconsciously, a complete handover of the reins of influence and power to the next executive.

Conversely, staff often experience equal difficulty in letting their long-term leaders go. Many staff were drawn to the agency by the executive's vision and determination in addressing a social need they care about. They may even explicitly state that they expect the next executive to lead in the same manner and with the same immediate ease as the founder—an aspiration that is likely to set the successor up for failure.

Another sector of society has long addressed these dynamics through the use of interim leaders. Several Protestant denominations and other religious groups mandate that an interim minister must temporarily lead a congregation after the departure of a permanent pastor. This recognizes that the congregation needs a certain amount of time to emotionally let go of their pastor before it is prepared to fully embrace a successor. The denomination maintains a corps of interims specially trained to facilitate that process. Their work includes helping church members set future goals and identifying skills the next pastor will need to lead them toward those goals. The congregation experiences a different leadership style with the interim and can see success beyond the shadow of its previous pastor.

Similarly, departing nonprofit founders and their boards may see the wisdom in giving an agency an in-between period of four to six months to separate from the influence of a founder and to experience a different approach with an interim ED. If an agency uses an interim period to work through the challenges of letting go of a long-term executive, it reduces the risk that staff and board will reject the leadership of the next permanent executive.

Embracing Diversity and Difference

Several recent surveys have documented that the current generation of nonprofit executives is overwhelmingly white and non-Hispanic.⁵ This is in the face of the fact that, in terms of race and ethnicity, our communities and the constituencies our nonprofit agencies serve have grown dramatically more diverse over the past few decades.

One critical opportunity succession planning offers lies in building the diversity of an agency's talent pool. As positions at various levels within an agency open, the chance emerges to recruit staff that can best connect with the cultures and needs of an organization's clients. Board members and staff leaders have the opportunity to challenge their preconceptions about what leadership talent looks like. They can search for new leaders from backgrounds and cultures different from their own and the current executive's. In pursuit of a diverse talent pool, some organizations will set a target for the number of qualified candidates they seek to recruit from diverse racial and ethnic backgrounds. The search remains open until they reach the target.

Creating a multicultural organization is hard work. The task is more than just a matter of diversifying staff demographics. It sometimes entails tough changes and being open to differences in work styles rooted in diverse cultures. Hiring a person of color into a leadership position in an established agency where the staff and board are largely white may well be setting the new leader up for failure if the agency's mono-cultural dynamics have not been addressed first.

5 Ban, C. & Towers, M., *The Challenge of Nonprofit Leadership: A Comparative Study of Nonprofit Executives in the Pittsburgh Region*. William J. Copeland Fund, 2003. Bell, J., et al. *Daring to Lead 2006: A National Study of Nonprofit Leadership*. CompassPoint Nonprofit Services, 2006. Boland, P. T., et al. *Addressing the Leadership Challenge: Nonprofit Executive Directors' Views on Tenure and Transition in Alberta*. Calgary Centre for Nonprofit Management, 2005. Hull Teegarden, P. *Nonprofit Executive Leadership and Transitions Survey 2004*. The Annie E. Casey Foundation, 2004.

Generational Clashes

Succession planning cannot mean training the next generation to lead in the same way as the current generation. Several studies report that the generations following the Boomers state a preference for less hierarchy in organizations and for leadership structures that are more collaborative.⁶ They also say they will demand a better work/life balance, partly in reaction to the high levels of sacrifice and burnout they see in current executives. They also expect the latest electronic technologies to be available as a means to efficiency and productivity.

Letting go and delegating responsibilities has to include opening up to the different ways that younger managers go about getting the job done, including providing them with the technologies that are second nature to them and allowing them to set up collaborative structures in their own corners of an agency.

If an existing organization cannot become flexible enough to change with the generations, dynamic, younger leaders will bypass it to start their own, where they can pursue their passions for making a community impact in their own ways.

6 Kunreuther, F., *Up Next: Generation Change and the Leadership of Nonprofit Organizations*. The Annie E. Casey Foundation Executive Transitions Monograph Series, 2005. Kunreuther, F. & Corvington, P., *Next Shift: Beyond the Nonprofit Leadership Crisis*. The Annie E. Casey Foundation, 2007.

Although succession planning may be a difficult subject for an ED, staff, and board to face, our experience suggests that it can turn an executive's exit from a difficult challenge into an occasion for organizational growth and maturation. Every organization's plan will be different, of course. Smaller nonprofits may not have enough personnel to develop significant bench strength. Founder-leaders will face a set of challenges that are different from those that confront a third or fourth generation executive. Many other variables, from funding sources to a growing need for greater staff diversity, can affect the strategy an organization takes toward an impending leadership transition. But the need to look ahead and prepare for eventual change at the top is paramount. At its very best, succession planning can provide an organization with a blueprint for sustainability that will help it thrive far into the foreseeable future.

We believe that these issues are important considerations not only for individual organizations, but for the nonprofit sector as a whole. The large numbers of Boomer executives reaching retirement age guarantee that a sea change in how and by whom our community impact organizations will be led is inevitable. However, change does not necessarily forecast crisis. Necessity has delivered an opportunity for us to think broadly about issues of talent management and leadership development as the sector has never done before. The prospect of a new generation taking the reins raises new and exciting possibilities for us all. Managing successions proactively will do more than calm the churning associated with present transitions; it will make the nonprofit sector stronger than ever.

Learning More about Succession Planning

- Axelrod, Nancy R., *Chief Executive Succession Planning: The Board's Role in Securing Your Organization's Future*. BoardSource, 2002. www.boardsource.org
- Bell, Jeanne; Moyers, Richard; and Wolfred, Timothy; *Daring to Lead 2006: A National Study of Nonprofit Executive Leadership*. CompassPoint Nonprofit Services, 2006. www.compasspoint.org/research
- Bridges, William, *Managing Transitions: Making the Most of Change*. Perseus Publishing, 1991. www.perseuspublishing.com
- Executive Transitions Monographs published by the Annie E. Casey Foundation.*
<http://www.aecf.org/KnowledgeCenter.aspx> or www.compasspoint.org/research
- Adams, Tom, CompassPoint & TransitionGuides, *Capturing the Power of Leadership Change*.
- Adams, Tom, *Founder Transitions: Creating Good Endings and New Beginnings*.
- Kunreuther, Frances, *Up Next: Generation Change and the Leadership of Nonprofit Organizations*.
- Wolfred, Tim, *Interim Executive Directors: The Power in the Middle*.
- Adams, Tom, *Stepping Up, Staying Engaged: Succession Planning and Executive Transition Management for Nonprofit Boards of Directors*.
- Kunreuther, Frances, and Corvington, Patrick, *Next Shift: Beyond the Nonprofit Leadership Crisis*.
- Gilmore, Thomas N., *Finding and Retaining Your Next Chief Executive: Making the Transition Work*. Governance Series Booklet, BoardSource, 1993. www.boardsource.org
- Gilmore, Thomas N., *Making a Leadership Change: How Organizations & Leaders Can Handle Leadership Transitions Successfully*. Center for Applied Research, 2003. www.cfar.com
- Jones, Karen Gaskins, *Leader Development & Emergency Succession Planning: An Organizational Planning Workbook*. TransitionGuides, 2003. www.transitionguides.com
- Editors, *Planning for Succession: A Toolkit for Board Members and Staff of Nonprofit Arts Organizations*. Illinois Arts Alliance, 2004. www.artsalliance.org
- Raelin, Joseph A., *Creating Leaderful Organizations: How to Bring Out Leadership in Everyone*. Berrett-Koehler, 2006. www.bkconnection.com
- Redington, Emily and Vickers, Donn, *Following the Leader: A Guide for Planning Founding Director Transition*. The Academy for Leadership & Governance, 2001. www.thejeffersoncenter.org
- Wolfred, Timothy, "Stepping Up: A Board's Challenge in Leadership Transition." *Nonprofit Quarterly*, Summer 2005. www.compasspoint.org/articles

Workshop

"Next Steps: Succession Planning for Founders & Long-Term Executives" is a workshop presented periodically by TransitionGuides and CompassPoint Nonprofit Services. www.compasspoint.org/nextsteps
www.transitionguides.com

Websites

www.compasspoint.org/et
Succession planning tools available for download on the CompassPoint website include

- A template for an emergency succession plan
- An example of a plan for strategic leader development
- Surveys for use in conducting a sustainability audit:
 - Questions to present to staff
 - Questions to present to funders and other external stakeholders

www.transitionguides.com

TransitionGuides provides a newsletter and links to articles on topics related to succession planning and executive transition management.

Acknowledgements

Special appreciation is offered to the Bay Area nonprofit agencies and their executives who have engaged CompassPoint consultants to assist them with their succession planning needs. They have been our best teachers in what it takes to ensure healthy transitions to new leadership after the long tenures of particularly successful leaders.

Donna Stark and Patrick Corvington at the Casey Foundation have been key supporters of this work. Jan Masaoka was my own long-tenured leader and patient teacher at CompassPoint. CompassPoint consultants Viveka Chen, Ted Scott, and Debbie Wu have been my primary partners on this learning path. Tom Adams (TransitionGuides), Karen Gaskins Jones, and Denice Rothman Hinden generously contributed to the formation of our succession planning practices from wisdom gained in their highly regarded consulting practices.

In the initial framing of this monograph and in critiquing later drafts, several thinkers on the topic of succession planning provided highly valued guidance: Kathleen Enright, Tom Gilmore, Jan Jaffe, Deborah Meehan, Rick Partridge, Alene Valkanas, and Linda Wood.

Credits

Strategic Communications & Planning provided editorial support for this publication.

traversosantana.com provided design services.

The Annie E. Casey Foundation

701 St. Paul Street

Baltimore, MD 21202

410.547.6600

410.547.6624 (fax)

www.aecf.org