

Executive TRANSITIONS

How Boards and Executives Create Their Futures

New research pinpoints keys to success.

BY TOM ADAMS

Executive transition is a powerful milestone for an organization and a predictor of its future effectiveness. Careers of departing and arriving executives and reputations of board leaders are directly affected by the outcomes of transition. Whether or not you're currently involved with an executive transition, this article will help you manage one of the most difficult and unavoidable aspects of nonprofit life.

What follows are lessons and practical tips for executives and boards based on a five-year field research project of the Neighborhood Reinvestment Corporation, a national nonprofit based in Washington, D.C.¹ The impetus for the project was concern about the high turnover of local nonprofit executives. Neighborhood Reinvestment began the project in 1991, working intensively with 10 nonprofits and consulting with 40 others during executive transitions.² In 1994, the W.K. Kellogg Foundation made a \$945,000 three-year grant to support this work.

Through this focused attention to executive transitions and other investments in training and organizational development, Neighborhood Reinvestment increased executive directors' tenure from 4.3 years in 1990 to 5.7 years in 1995 in its 177 affiliate organizations. Besides improved tenure, the organizations rated "healthy" increased from 67 percent in 1991 to 89 percent in 1996. Direct investments in the communities served by these organizations nearly tripled, from \$146.7 million in 1990 to \$418.9 million in 1996.

Neighborhood Reinvestment has developed a systematic three-phase approach to executive transition that increases the likelihood of success. Here are lessons learned from this project:

1. Take time to clarify how the transition can benefit the organization.

For a host of financial, programmatic, and emotional reasons, there is enormous pressure to move quickly to place an ad and begin recruiting. No matter how experienced the leadership, this tendency is almost unavoidable. Tom Gilmore, author of *Making a Leadership Change*, describes the rash and unconscious decision-making that

TRANSITION TIPS FOR DEPARTING EXECUTIVES

Once you announce your intent to leave, relationships and roles shift immediately. You can help yourself and the organization best if you:

- Provide the board a clear picture of what must be done during the interim period.
- Shift your priorities to short-term actions that you and the board agree will strengthen the organization before your departure.
- Encourage the board to appoint a transition committee and get ready to recruit.
- Avoid hasty recommendations of interim managers, particularly from the staff. Let the "getting ready" assessment process clarify the skills needed for an interim strategy.
- Avoid (in most cases) being actively involved in selecting your successor. Discuss your appropriate role with the board and transition committee.
- Encourage the board to get outside help rather than rely on you, especially if you are a founder.
- Accept that you may have a lot of mixed feelings, and talk about them with a mentor or colleague.
- Celebrate your relationships and accomplishments; say goodbye in ways appropriate for you; and be direct if there are ways you would or wouldn't like to celebrate your years at the organization.

occurs during transition as “sleep-walking through the process.”³ The odds of a successful transition are improved when an organization faces this pressure, addresses the legitimate issues that warrant immediate action, and then carefully reflects on how the organization can benefit most from this time of change.

2. Don't skimp on any phase of the transition.

There are three phases to the executive transition process: getting ready, recruiting, and post-hiring. Each builds on the preceding. Skimping on any phase puts the success of the tran-

sition at risk. (See the chart below for key considerations and potential obstacles in each phase.)

Be careful that the recruiting phase doesn't absorb the board's attention to the detriment of the pre-hiring and post-hiring phases. If the pre-hiring phase is slighted, you may end up with the wrong person. If the board doesn't reserve energy for the post-hiring phase, they'll get off on the wrong foot with the new executive. Exhausted board members who disappear after selection run the risk of a weak executive-board relationship and too little accountability. Devoting time and energy to all three phases is critical to long-term success.

PHASES FOR EXECUTIVE TRANSITION

Executive transitions pass through three distinct phases, each building on the one before. Following are key issues faced by nonprofits during each of these phases.

Phase I: Getting Ready

- Deciding short-term who's in charge of what
- Assessing organization priorities and health
- Hiring interim manager, particularly if not ready to hire or in crisis
- Developing profile of new executive attributes, knowledge, skills
- Setting a competitive compensation strategy
- Saying appropriate good-by to departing executive
- Understanding and dealing with departing executive's legacy

Phase II: Recruiting

- Agreeing on a recruitment strategy, including diversity outreach
- Proactively seeking candidates
- Screening and ranking candidates against profile
- Completing thorough reference checks before final interviews or selection
- Spending informal time with finalists and introducing to key stakeholders
- Selecting and negotiating
- Having a back-up plan if first candidate declines
- Completing letter of appointment

Phase III: Post-Hiring

- Welcoming and introducing new executive
- Orienting new executive to organization and community
- Making agreements between board and new executive on three- and six-month work plan
- Agreeing on executive evaluation process
- Executive development planning by new executive with board support
- Agreeing on when to revisit strategic plan and direction of organization

Key considerations and Decisions

Frequent Issues and Obstacles

- Rushing to hire
- Making hasty decisions without assessing needs
- Becoming frozen and indecisive; too much process
- Employing overly rational process that ignores feelings of loss, anger, etc.
- Underestimating time and help required
- Not asking for help when needed
- Denying real condition of organization
- Recruiting too soon
- Misreading needs of the organization; attempting to hire executive exactly like (or opposite) departing executive
- Hiring an inappropriate interim manager, often someone liked and admired on staff or board but not experienced in what's needed

- Advertising a non-competitive salary, limiting applicant pool
- Expecting a diverse pool without outreach and networking
- Getting buried in resumes and process with inadequate systems
- Appointing “obvious” successor with insufficient thought or checking
- Doing reference checks too late to influence finalist selection
- Appointing a new executive with board divided on decision
- Not fully disclosing to finalist condition of organization and first year expectations

- Not welcoming or introducing new executive to community
- Succumbing to exhaustion and abandoning new executive during first 30-60 days
- Micromanaging
- Giving insufficient priority to shifting roles and relationship building in first month
- New executive becoming overwhelmed, ignoring board and stakeholder relationships, staff or administration; having difficulty in balancing all three
- Curtailing surprises for new executive and board
- Paying no attention to work plans or evaluation system

TRANSITION TIPS FOR BOARD & SEARCH COMMITTEE

Your biggest challenge is to resist the pressure to act too quickly. The following are some steps to consider:

- In the first week after the departure, take stock of the key issues facing the organization and the leadership and resources available to manage the transition.
- Develop a plan that pays attention to all three phases of transition—getting ready, recruiting, and post-hiring.
- Build extra time into your plan to identify and attract a diverse pool of candidates.
- Consider whether outside assistance from a consultant or facilitator friend of the organization is needed to get the full picture of the organization and its needs.
- Retain outside help unless you have an experienced volunteer with immediate time and expertise to devote to the transition.
- As soon as possible, let staff, board, and other stakeholders know about the transition. Tell them in writing and face to face where possible. Let them know when the executive is leaving and who will head the search committee. Invite input into the attributes of the next executive, priorities of the organization, and possible candidates.
- Review your compensation package, add an employer-paid retirement plan if you don't have one, and stay open about the final salary until you've tested the market for candidates.
- Say an appropriate goodbye to your departing executive and celebrate his or her contribution to the organization.
- Communicate regularly with the departing executive, board members, and other key stakeholders.

3. Identify what type of transition it is.

The type of transition influences the costs, risks, and transition strategy, as well as the attributes of the next executive. First, you need to clarify whether the transition is routine or nonroutine. Routine transitions occur when an executive retires or takes another position and a stable organization goes through an orderly process of hiring a new executive. Neighborhood Reinvestment's field experience and research, validated by executive search professionals, suggests that most transitions today are non-routine and complex. In Neighborhood Reinvestment's experience, the four most typical transitions today are:

Turnaround transitions. If your organization is in a financial or programmatic crisis, or there is a recognized need

TRANSITION TIPS FOR ARRIVING EXECUTIVES

Things often aren't as they appear. There may be some surprises—about resources, staff, commitments, board dynamics, and relationships. Your biggest challenge in the first months is making relationship-building a priority while addressing whatever critical organizational issues need attention. This is your time to get to know the organization and build the relationships you need to succeed. Here are some suggestions on how to do that:

- Before you start the job (or in your first week), ask to see the bylaws, current financial statements, board roster and minutes, staff roster and resumes, previous two years' audits, and a summary of contractual obligations and funding commitments.
- Clarify the board's expectations of results.
- Make meeting with staff, board, and key stakeholders a priority. Ask for their guidance on people to meet and their assistance in making introductions.
- Ask the board for a written work plan of your priorities for the first three months. Initiate a process of written work plans for the board to use in evaluating your performance.
- Insist on a three-month informal check-in and a six-month review of your performance. Ask for feedback on an ongoing basis.
- Build an effective executive-board relationship as if your job depends on it. It does!
- Work to create a safe place for yourself and others to learn. Admit what you don't know, and ask for support for your orientation and professional development needs.
- Find a mentor with no agenda other than to help you process what's going on and succeed at your new job.

to reorganize board or staff, you are facing a turnaround transition. Such a transition requires one or more lead supporters willing to invest in an interim manager, a consultant, and a permanent executive experienced in managing turnarounds. Turnarounds are especially difficult, costly, and high-risk for first-time executives. But even proven executives can be overwhelmed by the challenges of a turnaround unless they have extensive organizational assessment experience.

Organizational start-ups. When an organization hires an executive for the first time, big shifts occur. The hiring may be part of the organization's formation, or the new exec may be hired after relying on volunteer or part-time "staffing" for months or years. In either case, founders and volunteers must make major adjustments. Letting go and shifting roles can be

painful, and reshaping the organization's culture is disruptive. Executives of start-ups also face intense demands. They are often shocked by the number of questions and details handed to them for resolution. Because an organization's beginning has such a great effect on its future, hiring the first exec demands the involvement of people experienced with start-ups.

Underperforming organizations. Many symptoms point to underperformance. Although such thoughts are often unspoken at first, board members and funders begin to wonder if the organization is "doing" enough. Sometimes a personable executive is able to raise operating support but provides limited services or products year after year. Underperforming organizations frequently turn out to be in crisis when light is shed on them. Many of the same skills required for a turnaround or start-up are required from the new executive in this situation.

Founder/entrepreneur successions. When a founder leaves, the organization faces major adjustment. Its culture, performance expectations, and relationships are linked to the founder's abilities and personality. Even stable organizations can quickly become vulnerable without careful attention to the impact of this change. Similarly, departing executives who built or rebuilt an organization through their entrepreneurial drive, vision, and energy are difficult to follow. Boards often fail to adjust expectations, resulting in rocky starts and short tenures. Rather than rushing to fill the void left by the founder or entrepreneur, it's sometimes better to hire an interim manager. Using short-term leadership can offset the distorted perspectives that are common when such a powerful leader leaves.⁴

4. Assess your organization's health, needs, and resources, and sharpen its mission, vision, and goals.

Search firms refer to this process as scoping—turning a lens to examine and understand the organization's history, current condition, and future needs. When thoughtfully done, this assessment provides a clear picture of what the next executive should be like, what compensation package will attract such a person, and what issues need attention before hiring the new exec. This snapshot also provides a basis for the board to map out its transition route, evaluate the expertise it has available, and identify where outside assistance is needed.

5. Take extra time to recruit a pool of finalists that is diverse in gender and ethnicity.

Many organizations, especially those in multi-ethnic communities, seek to insure that finalists represent the diversity of the communities served. An organization's ability to recruit a diverse pool of finalists is increased if the board and its leadership are diverse. Given the competitiveness for talent and the shortage of experienced executives in some communities, added time and outreach are often needed to identify and attract a diverse pool.

6. Offer a competitive compensation package, including an employer-contributed retirement benefit.

Don't advertise a salary too low to attract people with the needed skills. It's better to remain flexible about salary until you've met potential candidates and know their current salaries and needs. Funders may be willing to supplement salaries with grants to help you hire a more experienced executive.

It's increasingly important to offer benefits, including an

WHERE TO FIND HELP

Many boards see only two choices in managing a transition: do it themselves or hire an executive search firm. In fact, there are a number of possibilities. Here are suggestions for help with your transition:

- Assess your resources to manage all three phases of the transition—getting ready, recruiting, and post-hiring. Note the areas in which you need extra help.
- Independent consultants can be especially helpful with the organizational assessment and post-hiring work. Organizational-development consultants are available on a per diem basis. Look for those who have worked with your size and type of nonprofit and who have networks in the communities you want to reach.
- Consider using staff from a national organization. Or contact a regional management support organization.
- Check publications in your field. See, for example, the nonprofit providers listed in every issue of *Nonprofit World*. (This directory begins on page 31 of this issue.)
- Search firms tend to work well with larger, more established nonprofits whose salaries are in the high five figures and above. Make sure the firm has experience and networks in your mission area and size of nonprofit.
- Seek suggestions from executives of nonprofits similar to yours.
- Ask your funding sources for ideas.
- Advertise in publications that reach the networks you want to reach.
- Use the Internet. For example, contact the Community Career Center, a job and candidate bank dedicated to serving nonprofits (www.non-profitjobs.org).

employer-contributed retirement plan. A 1993 national benefit survey points to a retirement benefit as more important than salary. Among Neighborhood Reinvestment affiliates, organizations that offered an employer-contributed retirement benefit had executive tenures twice as long as those that didn't.

7. Consider outside assistance.

Initially, many board members don't see much difference between finding a new executive and hiring any new employee. Such a view underestimates the complexity of the process. Involving a person with a proven track record in selecting nonprofit executives is a tremendous advantage. (See page 51 for

ideas on where to find help.)

For larger, more established nonprofits with clear mission niches, search firms that focus on nonprofits (preferably in their mission area) can be particularly helpful. Community-based nonprofits, smaller organizations, and nonprofits with emerging mission areas tend to benefit from working with independent consultants experienced in one or more phases of the transition.

Most boards find outside assistance valuable in assessing their readiness to recruit, in doing candidate outreach and reference checks, and in facilitating the initial relationship-building and performance reviews with the new executive. New executives find enormous benefit in working with an executive coach or management consultant during the stress-filled first year. ■

Footnotes

¹The Community Development Leadership Project was initiated by a network of community development nonprofits known as the NeighborWorks' Network.

²Neighborhood Reinvestment is located at 1325 G Street, N.W., Suite 800, Washington, D.C. 20005 (202-376-3216).

³Thomas N. Gilmore, *Making a Leadership Change: How Organizations and Leaders Can Handle Leadership Transitions Successfully*, Jossey-Bass Publishers, 1988.

⁴See "Interim and Acting Directors: The Case for Short-term Leadership," by Katherine W. Farquhar, *Management and Information Exchange*, July 1993.

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*Starred publications are available through the Society for Nonprofit Organizations' Resource Center. For ordering information, see the Society's *Resource Center Catalog*, included in this issue, or contact the Society at 6314 Odana Road, Suite 1, Madison, Wisconsin 53719 (800-424-7367).

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