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Toolkit

When the Boss Bails

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By Tom Adams

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Stanford Social Innovation Review
518 Memorial Way, Stanford, CA 94305-5015
Ph: 650-725-5399. Fax: 650-723-0516
Email: info@ssireview.com, **www.ssireview.com**

When the Boss Bails

Surviving – and even thriving – after a change in leadership

BY TOM ADAMS

In 2001, the longtime executive director of a leading Southwestern community-development corporation resigned. He had been a dynamic leader, with a network of relationships that generated steady funding for what appeared to be a healthy organization. Shortly after his departure, however, the board of directors realized that the corporation's infrastructure was shaky and its finances were worse. The board was forced to slash the staff and cut operations by two-thirds – a shocking turn of events for a nonprofit that once led the nation in neighborhood development and job creation.

Executive transition has always been risky, leading to staff and board turnover, fundraising woes, interruptions in service delivery, and even outright failure. Ask nonprofit leaders to tell you their transition horror stories, and you might hear about the fledgling organization that flopped after going through four executive directors in five years. Or the new executive who inherited what she thought was a healthy organization, but which had faulty financial systems and was actually running huge deficits. Or the founding executive who stayed on the board after stepping down and never gave her successor a chance.

To better handle leadership transitions and help organizations stay on course, and provide both a good ending for the departing executive director and a strong beginning for the incoming replacement, the organization needs to focus on three transitional phases.

Planning for Executive Turnover

In an ideal setting, an organization will draw up contingency plans *before* its executive decides to leave. For example, a San Francisco-based nonprofit community health provider developed an emergency succession plan to prepare for an orderly transition in the event of an unexpected executive departure. The executive in fact planned to leave in three to four years, but wasn't ready to tell the board. In this planning process, he and his management team identified seven key functions that he performed and made specific plans for other managers to begin to learn these aspects of the position.

Developing this kind of plan helps identify those board members and senior managers, and involves them in external relationships with funders and policymakers critical to the mission of the organization – relationships that need to be sustained when an executive leaves, no matter what the circumstances.

Common in the for-profit sector, early and proactive attention to leader development and emergency succession planning is only a recent development among nonprofits.

Executive ambivalence about leaving often prevents this kind of early preparation. Many long-term nonprofit chiefs have mixed feelings about when and how to leave. Multiple factors drive the confusion: inadequate retirement or financial preparation, lack of clarity about what the next position or retirement might be like, and intense loyalty and self-identification with the organization are but a few. Executive coaching and planning workshops can help leaders sort out conflicting ideas, and free them to create sensible departure plans.

The first task here is to continue to build the organization's capacity in ways that increase the odds for a successful hire. The initial assessment should have already provided a clear picture of what short-term organizational strengthening is needed to enable the new executive to get off on the right foot. This may include bolstering financial systems, addressing staff issues, or renewing relationships with funders or stakeholders who have drifted away from the organization – concerns that the new executive can address while spending those precious first 90 days focused on building the relationships fundamental to his/her tenure.

TOM ADAMS *is the president of TransitionGuides, a consulting group based in Silver Spring, Md. He has more than 30 years of experience serving nonprofit organizations as an executive director, senior manager of a national organization, and as a consultant. He is a former director of the Neighborhood Reinvestment Corporation's Community Development Leadership Project and serves as project manager and lead consultant for the Annie E. Casey Executive Leadership Transition and Capacity Building Project, and the Maryland Association of Nonprofit Organizations' Executive Transition Initiative. He can be reached at tadams@transitionguides.com.*

The National Economic Development & Law Center (NEDLC), for example, used its transition to make sure the organizational gains secured by 17-year executive James Head were not lost when he left. After Head gave 12 months notice, he and his board, with support from three of its funders, undertook a thorough assessment. With the help of transition consultants, they identified the key organizational issues Head needed to address before his departure: building up financial reserves, securing funder commitments for renewals on current projects, acquiring funding for a business-planning process to start with the new executive, and strengthening internal communications. This gave the new executive (and NEDLC) a welcome head start when he came on board

Once the executive announces his or her impending exit, attention shifts to managing the transition itself. The first job here is to resist the rush to hire. Normal anxiety about change and instability may energize the board to place an ad or start the search immediately. Rushing to hire results in some missed opportunities to sharpen direction and strengthen the organization before a new hire. At best, this limits the upside capacity-building opportunities of the transition period. At worst, it results in an inappropriate recruitment process and a bad hire.

The board's responsibilities increase after the executive departure is announced, as it must first develop a transition leadership plan for staff management, and then actually oversee and carry out the work of transition and search. Depending on the circumstances surrounding the executive's departure and the health of the organization, there may or may not be some steps needed to stabilize operations before board and staff can focus on transition planning.

In all cases, some form of organizational self-assessment is recommended before writing and placing ads for a new executive. The intensity and process for doing this self-assessment will vary widely depending on the size, culture, organizational health, and human and financial resources available, but there are three crucial outcomes: (1) An accurate picture of the current condition of the organization – its strengths, challenges, and current priorities; (2) A revisiting of the mission and direction of the organization and its aspirations and vision of success over a defined period, generally three to five years; and (3) Agreement on the gap between the current realities and future aspirations, and what this gap means in terms of the competencies and attributes of the next executive.

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This assessment often results in an executive search profile that provides finalists a clear statement of the organization, and its requirements for the next executive. While compensation requirements are reviewed and a range established, they typically aren't advertised unless they match the local market.

For many organizations, particularly those needing serious repair work after a period of decline, an interim executive director can play an important role. Interims are highly skilled managers who temporarily take the helm of an organization to help the board and staff address important issues and lay the groundwork for the permanent leader's success. An interim leader ordinarily comes aboard for four to eight months, and uses that time to work on serious structural and financial problems that would otherwise discourage potential candidates for the permanent position (or quickly sap the fresh energy of the next permanent leader).

Take, for example, when the director of a San Francisco community health provider abruptly resigned just as his agency was coming to the end of a three-year federal grant. That grant represented 50 percent of the agency's income, and the outgoing leader had failed to find new revenue streams to replace it. The board, before embarking on an executive search, decided it needed time to address the fiscal crisis and hired an interim executive to a nine-month contract. The interim leader managed the necessary staff cuts and lobbied local and state officials for special bridge grants. In just six months, he secured the needed funds. Two years later and one year into the tenure of its new permanent executive, the agency is again thriving.

An interim leader can also play a critical role as a bridge when a strong founder or longtime executive leaves. In these cases, the interim person can give the organization time to separate from the ways and means of a strong executive. Staff and board are given opportunities to acknowledge the departed executive's gifts and achievements; even more importantly, they can talk about what they would like to have seen done differently. Such discussions allow them to outline the skills and attributes they would like to see in their next leader.

Search and Selection

The first task in the search and selection phase is to engage the board and staff appropriately to make a hiring decision that fits the needs and aspirations of the organization. For many social service agencies, for example, their aspirations may include better outreach to a clientele whose racial and ethnic mix has changed dramatically since the departing executive was hired several years earlier. This will mean recruiting for a new executive who can lead the agency to an expanded level of cultural competency. The key to successful selection is clarity about the job, the organizational culture in which the job will be done, and the board's definition of success. When the outreach and screening process focuses on finding and attracting a diverse finalist pool based on these factors, the chances for a successful hire and effective tenure are significantly heightened.

Effective recruitment and screening is labor-intensive, so board leaders need to be prepared to invest 10 to 20 hours a week for the two or three most active months of the process. Where time and/or capacity are lacking, boards can retain a transition consultant to provide coaching or carry out the search, or hire an executive search firm to do the work.

Achieving a talented and diverse finalist pool that meets the requirements of the organization requires significant time and skill. Too often, boards settle for candidates who don't meet their leadership needs because of a missed step in the recruitment and selection process. A board can undermine its recruitment early in the process by "trying to get it all,'' rather than sufficiently focusing on the competencies really needed. Looking for the hero or savior is usually a formula for disappointment and short tenure.

Later in the process, they may fail to do adequate reference and background checks. If they don't have experience in interviewing candidates, they may settle on the best talker – someone who can spin a good story of how they will lead the agency – rather than on the best doer, a candidate who has a solid track record of handling the challenges that face the agency.

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Rigid adherence to a maximum salary that is too low can scare off candidates that might have been worth more money. And while the decision of whom to hire ultimately belongs to the board, it's important to permit the staff (or managers, in a larger organization) to meet the finalists before selection.

Post-Hire Launch and Support

The period immediately following selection of a new executive is just as important, and brings as many challenges, as the pre-hire phase. In many transitions, boards will have stepped up and become more active in the management of the agency. At one extreme, the board may be tempted to disappear – sometimes from exhaustion. It may just as easily do the opposite, and fail to yield its recent responsibilities once the executive arrives. The other big challenge is ensuring that the board and executive are clear about their respective responsibilities and roles.

Symbols of a positive handoff of leadership are important to board, staff, funders, and consumers. An obvious step is to make sure that appropriate goodbyes and thanks are said to the departing executive, and that the new executive is properly welcomed and introduced to stakeholders. The Development Training Institute held a major farewell when founder Joe McNeely left, and his successor was welcomed at a series of introductory receptions over the next several months.

A second helpful step is a special board meeting or retreat where the new executive and board can review and agree on priorities and direction, and clarify mutual roles and expectations. Such an agreement is sometimes referred to as a social contract between board and executive. A new leadership team is an opportunity to clarify and strengthen communication and sharpen attention on the desired mission-driven results. This session often concludes with agreement on methods for mutual accountability for both the board and executive. ■