

EXECUTIVE TRANSITIONS AND LEADERSHIP DEVELOPMENT

By Heather Mike

**Hunter College
Second year graduate Student
Master of Science in Urban Affairs**

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A change in leadership is a difficult time for any organization. Several studies in the 1990s established the need and created a model for succession planning in the non-profit sector. Yet, as the number of executive directors preparing to leave their positions became apparent, concern shifted to the qualifications of the next generation of leaders, whose lack of leadership development threatens to undermine the advances made in succession management over the past decade. My paper will first discuss the studies of executive transitions conducted by Neighborhood Reinvestment, CompassPoint, the Annie E. Casey Foundation, and the Support Center for Non-Profit Management. I will then turn to a 2003 survey conducted by United Way and Baruch College, which lists the obstacles to training mentioned by current executive directors and analyzes the legitimacy of their concerns.

Today, 10-12% of the 1.6 million non-profits in America are undergoing a transition of executive directors at any given time.ⁱ Neighborhood Reinvestment, a national network of local housing non-profits, conducted some of the earliest research on executive transitions in the sector. By 1991, the median tenure for its organizations' executives was only three years, and the high turnover was undermining the network as a whole, leading Neighborhood Reinvestment to undertake a five-year evaluation of organizational needs for a successful transition.ⁱⁱ

The study established that 71% of transitions were "non-routine,"ⁱⁱⁱ brought about by problems such as loss of funding or poor management, and the result of an unsuccessful transition could be huge, with repeated executive turnover, the loss of other staff or board members, and compromised delivery of programs and services.^{iv} Yet, transitions could be positive, for they force stakeholders to "pause and regroup."^v Boards can assess the organization, choose new directions, and set goals to be addressed with the help of the new executive, so that the transition is not just tolerated but becomes a starting point for growth.

Neighborhood Reinvestment found transitions were most successful when comprehensive services, focused on the entire organization, were provided. The model created by Neighborhood Reinvestment and expanded by later providers focuses on services in three distinct stages: preparation, recruitment and hiring, and post-hiring.^{vi} The preparation stage begins months or years before a transition, and ensures staff or board members can fulfill the executive's functions.^{vii} The Support Center finds that working with an organization on an emergency succession plan, which delineates the executive's duties, can serve as a point of entry for more comprehensive organizational development,^{viii} including the cross-training of staff or the preparation of formal policies.

After an executive announces his or her departure, a transition consultant assesses the issues affecting the organization, such as funding troubles or staffing concerns, and helps the board decide on the necessary characteristics of the next leader. The consultation and transition plan prevent board members from being overly hasty when choosing a replacement by forcing them to consider possible new directions and opportunities and what the organization must do to meet them.^{ix} While a new executive is being recruited, the board and transition service providers renew relations with stakeholders, revisit the mission to separate it from the founder or previous executive's vision, and make necessary staff and infrastructure changes.^x

In the post-hiring phase, transition service providers remain involved for an additional three months to one year.^{xi} They work to strengthen the director and board members' relationships and offer peer networking for new executives on a monthly or quarterly basis.^{xii} The one-year anniversary of the new director then serves as an ideal starting point for the organization's next strategic plan.^{xiii}

Neighborhood Reinvestment's network organizations' health, as measured by an internal scale, increased from 67% to 90% during the years transition services were offered, while the median tenure of their executives increased from 3 to 5.2 years.^{xiv} Such progress inspired similar experiments among other management service organizations. In 1998 and 1999, CompassPoint Nonprofit Services of San Francisco began providing transition services to 28 of its local non-profits.^{xv} It offered "organization development consulting," similar to Neighborhood Reinvestment, and "interim services," which maintained a pool of experienced interim executives from which non-profits could choose, and extended support to the directors during their temporary tenures.^{xvi}

The interim service was CompassPoint's main difference from the Neighborhood Reinvestment model, and the organization's major contribution to the understanding of executive transitions. The interim director gives "emotional space" to a non-profit undergoing assessment and change, and was inspired by the approach of religious institutions.^{xvii} Michael Allison, quoted in Hinden and Hull's "Executive Leadership Transition," says "The church treats leadership transition as a naturally occurring event in the life of a congregation (rather than an unanticipated crisis to be

avoided)...A central feature (of their management of transitions) is the requirement that a congregation take a full year for reflection and renewal between pastors.^{xxviii}

Work on transitions by William Bridges states that the process is best viewed as consisting of an end, at the executive's departure, a middle, and a beginning, at the new director's tenure.^{xix} The middle stage is the source of most non-profits' difficulties, and the time when most look to senior staff for an interim director. Staff members are committed to the mission and familiar with the work of the organization, cost less than an outsider, and can acquire valuable management experience.^{xx} Yet, beginning with CompassPoint's work, research has consistently demonstrated the benefits of hiring an outsider as a "deliberate interim."

Deliberate interims have no previous relationship with the staff and no desire for a permanent position in the organization, thus eliminating the difficulty of temporarily placing one staff member over the others.^{xxi} The Support Center finds a schedule of two to three workdays per week allows the interim executive to effectively manage the organization without becoming enmeshed in internal problems, which should be the concern of the transition consultant.^{xxii} The interim provides a "cushion" to permanent staff and the board so they can focus their energies on evaluating the organization and searching for a new executive.^{xxiii}

While an interim leader can provide organizations with many benefits, the position is meant to be one aspect of transition services, not a replacement for them. An independent evaluation of CompassPoint's service offerings in 2000 found that four out of eight non-profits using only interim services were struggling or had already lost their new director, while only three of twenty organizations using organizational development services (with or without interim directors) were struggling. CompassPoint concluded that the success of a non-profit's transition correlates with the comprehensiveness of the services they use.^{xxiv}

The Annie E. Casey Foundation conducted similar research in 2000 after several key grantees underwent unanticipated executive transitions. Their findings stress the need to adapt services to the individual organization and pay attention to aspects of the transition that are often neglected, such as the role of less senior staff.^{xxv} The research also revealed that transitions involving founders or long-term executives and transitions that alter the organization's diversity (race, gender, age, etc.) are especially difficult.^{xxvi} Due to such complexities, the Casey Foundation argues transition remains a difficult subject for board members, who continue to misinterpret their function and underestimate the risk of an unsuccessful changeover.

Furthermore, there are not enough providers of transition services for the sector. Prior to the work on succession management in the 1990s, the average non-profit's executive search took four to eight months, and the only aid available was from executive search firms, which focus solely on hiring a new leader, rather than building the entire organization, and are so expensive that only organizations with budgets over \$1 million can afford them.^{xxvii} Yet, even after the pioneering work of Neighborhood Reinvestment and CompassPoint, the Casey Foundation's national scan found only 21 management support organizations nationwide that offer one or more transition-related services.^{xxviii} This is especially discouraging in light of the demand for the services, which doubled in states such as California and Maryland in the year after their introduction, and continues to grow.^{xxix}

The Support Center in New York City, one of the most recent organizations to begin offering transition services, will focus on educating the sector on the need and available models for executive transitions in the coming years.^{xxx} They will also encourage more funders to follow the example of foundations such as the W.K. Kellogg Foundation, the David and Lucille Packard Foundation, and the Annie E. Casey Foundation, which have begun promoting these services by educating boards about their existence and subsidizing or providing funding towards the services for grantee organizations that need them.^{xxxi}

Transition services will become even more crucial in the immediate future, as the baby-boomer generation approaches retirement and the percentage of non-profits searching for a new executive continues to grow. The David and Lucille Packard Foundation reports 45% of its grantees experienced a transition between 1994 and 1997,^{xxxii} while the Annie E. Casey Foundation has learned a staggering 85% of its grantees' executives will leave between 2000 and 2007.^{xxxiii}

Such statistics concerned the United Way, since many of New York City's non-profit directors, who have been in the sector for an average of 15 to 20 years, were also preparing for retirement, and little attention had been paid to

the training or development of senior staff, which must fill the gap when large numbers of executives leave. United Way joined with Baruch's School of Public Affairs to conduct 6 focus groups in Spring 2002 and 609 surveys in Spring 2003, to study non-profits' current training practices, perceived obstacles to staff development programs, and preferred models of leadership training.^{xxxiv}

The survey results proved United Way's concerns for the sector were valid, as almost half (45%) of executive directors planned on leaving their positions within five years, but only 32% said their company had a succession plan.^{xxxv} Furthermore, 57% of the executive directors' organizations did not offer professional development programs, despite the fact that 78% of senior staff (identified by United Way as "pipeline leaders") anticipated moving to more senior positions within five years and 92% of current executive directors believed more training for senior staff would be beneficial.^{xxxvi}

Executive directors offered several reasons for their organizations' lack of training. Two of the most frequent responses were direct cost and the difficulty of finding effective instruction, mentioned by 85% and 51% of the executive directors respectively.^{xxxvii} These are valid concerns that should be addressed by the sector as a whole; but additional obstacles mentioned by executive directors were less compelling.

Twenty-seven percent of executive directors said government or foundation contracts prevented the release of employees for training, while 61% said their regular service obligations made staff training unfeasible.^{xxxviii} Contract restrictions may be too severe, which is another issue for the sector to address, but executive directors must also take responsibility for their staffs' development. Grant proposals that detail the project responsibilities of departments or employees can state that a (reasonable) number of hours each month will be devoted to additional off-site training, and managers must consider their employees' development just as essential to the organization's functioning, and worthy of their time, as budgeting or planning.

In addition, surveys of the pipeline leaders reveal a greater willingness to devote their own time to a training program, on weekends or evenings, than their executive directors had anticipated.^{xxxix} This commitment is relevant to another concern of executive directors, which is that after receiving training, employees will leave the organization for a better position elsewhere. Only three in ten of all the executive directors surveyed agreed with this proposition,^{xl} but it was a frequent topic of discussion in the focus groups among executive directors of organizations with gross revenue below the sector's median.^{xli}

Such executive directors were more likely than their peers to say direct cost was an obstacle to training, but they were less likely to utilize a training program that fit their definition of affordable or that had half of its costs paid by an intermediary organization.^{xlii} They were reluctant to provide training, under any circumstances, because they believed it would negatively affect employee retention.

Survey results from the pipeline leaders, however, did not show this to be a legitimate concern. Sixty-six percent of potential executive directors would commit to two years in their organization in exchange for affordable training.^{xliii} An additional 58% of pipeline leaders were willing to promise two years of work to the intermediary organization funding their training, with 25% agreeing strongly with the proposition, when only 12% of their executive directors had anticipated such a response.^{xliv} This division shows many pipeline leaders are more committed to the non-profit sector as a whole, and more aware of their need for additional training, than their managers presume.

Furthermore, opposition to training may cause the exodus some executive directors fear. *Harvard Management Update*, discussing the private sector, reports many companies have learned that fulfilling employees' "personal aspirations" and providing "career development" are essential to their firms' retention strategies, and several of the pipeline leaders felt the lack of such opportunities in their current organizations would make them more likely to leave.^{xlv} Nevertheless, many smaller non-profits continue to view development as a threat to their organizations, and may need incentives beyond financial aid before utilizing training programs. It is important to consider that United Way surveyed only its own grantees, which it describes as "relatively better-prepared and better-managed organizations" than smaller, less professionalized non-profits,^{xlvi} so a minority of respondents' concerns may prove more widespread than the survey numbers imply.

Among organizations willing to offer additional training, instruction in management, strategic planning, fundraising, budgeting, technology, and communications was viewed as essential.^{xlvii} A majority preferred a program

costing less than \$25.00 per employee per instructional hour, but one-third of executive directors and nearly half of pipeline leaders considered \$26 to \$50 acceptable, while a quarter of each group found \$76 to \$100 affordable.^{xlviii} Virtually all respondents would participate in a program fully funded by an intermediary funding organization such as United Way (93% of executive directors and 97% of pipeline leaders), but 84% were still willing if the organization only funded half.^{xlix} The groups preferred a program meeting one to two workdays a month, but sizeable minorities of pipeline leaders were willing to commit to biweekly (38%) and once-weekly (27%) sessions.¹ Finally, there was strong agreement on the suitability of training that uses a combination of university instructors and non-profit leaders, ideally for certificate or degree credit.^{li}

David Birdsell, Baruch's executive director of academic programs in the School of Public Affairs, says, "Over the last five years or so, there has been a toxic rumor that nonprofit employees aren't interested or qualified to move into the executive seat and that you are throwing good money after bad if you put resources into developing leadership. This survey shows that that is obviously not true."^{lii} The survey became the inspiration for Leadership Fellows programs established by Baruch and United Way.

The Senior Fellows Program involves 25 participants in a two-semester program at the School of Public Affairs. The Fellows must have a Bachelor's degree and a minimum of five years' experience in the non-profit sector, and are nominated by the executive director of their current organization, which contributes \$1,000.00 for books and other academic fees. United Way finances the Fellows' tuition for the classes, which meet bi-weekly for nine months and count as 12 credits toward Baruch's Master of Public Administration degree. Fellows may also be required to participate in roundtables and other networking functions.^{liii}

The Junior Fellows Program invites 25 professionals to a 10-week seminar series each semester. Junior Fellows must also be nominated by their executive directors, but are only required to have two years of experience in the sector, while those with 'non-traditional educational backgrounds' are welcomed. The United Way covers the tuition for the once-weekly courses.^{liv}

The Support Center is also interested in creating a training program for future executives. Feeling that the sector lacks 'formality' in preparing and selecting its leaders, who become executive directors through a variety of career paths and must undergo a 'trial by fire,' the organization believes a certificate program of approximately eight classes, offered in conjunction with regional universities and focused on the skills cited by the United Way, would strengthen non-profits.^{lv} The program could also offer specialized training to people transitioning out of the for-profit sector, who need to be prepared for the differences in work culture, decision-making styles, and board relations in their new field.^{lvi}

Despite the impending difficulties, one promising finding of contemporary research is that the next generation of executive directors trained by such programs will be more ethnically and racially diverse. Six of every ten current executive directors are white, but the percentages of Black/African-American leaders in United Way's sample will increase from 24% to 31%, executives of Hispanic origin will almost double, from 12% to 21%, and the percentage of respondents defined as 'something else' will raise from 12% to 17%. (Asians will remain at 3%.)^{lvii} While the Casey Foundation's research has shown the extra complexity that issues of diversity contribute to individual transitions, their report views the changes in the sector as a whole in a positive light, as "an opportunity to increase the representation of leaders of color and those with demonstrated cultural competence, [which is] critical to serving our nation's increasingly diverse communities."^{lviii}

Further demographic analysis of United Way's pipeline leaders reveals their average age to be 43 years.^{lix} As the upper levels of organizational management (both non-profit and for-profit) are vacated by approximately 77 million baby-boomers, to be filled by 16.9 million 'Generation X'ers,^{lx} tensions and anxiety are sure to rise. Yet, any leadership development programs targeted at today's senior staff will prepare them for *decades* of commitment to and creativity within the non-profit sector which is still so vital to our society. For this reason, staff, executives, and funders alike must support the advances in leadership preparation and transition made by their forward-thinking peers.

ⁱ Denice Rothman Hinden and Paige Hull, "Executive Leadership Transition: What We Know," The Nonprofit Quarterly, Volume 9 Issue 4 (Winter 2002), 1.

ⁱⁱ Ibid.

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- iii Ibid, 2.
- iv Annie E. Casey Foundation, Capturing the Power of Leadership Change, 6.
- v Ibid, 9.
- vi Hinden, 2 and Troy Chapman, Personal Interview.
- vii Casey Foundation, 11.
- viii Chapman.
- ix Casey Foundation, 11 and Chapman.
- x Support Center for Nonprofit Management, “Transition Management Services,” 1-2.
- xi Chapman.
- xii Support Center, 2.
- xiii Chapman.
- xiv Hinden, 2.
- xv Casey Foundation, 10.
- xvi Hinden, 2.
- xvii Ibid.
- xviii Ibid.
- xix Chapman.
- xx Robert I. Goler, Making the Most of the Internal Interim Directorship, 3.
- xxi Ibid, 8.
- xxii Chapman.
- xxiii Goler, 8.
- xxiv Hinden, 3.
- xxv Hinden, 4.
- xxvi Ibid.
- xxvii Casey Foundation, 7.
- xxviii Ibid, 8.
- xxix Ibid, 4.
- xxx Chapman.
- xxxi Don Crocker, Executive Transitions: Nonprofit and Grantmaker Opportunities, 2.
- xxxii Hinden, 1.
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- xxxv Ibid, 5.
- xxxvi Ibid.
- xxxvii Ibid, 6.
- xxxviii Ibid.
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- xlv Ibid, 18.
- xlvi Ibid, 17.
- xlvii Ibid, 8.
- xlviii Ibid, 6.
- xlix Ibid, 7.
- ¹ Ibid, 12.
- li Ibid.
- lii Rebecca Gardyn, “New York Groups Could Face Leadership Gap, Study Finds,” The Chronicle of Philanthropy, 13 November 2003, 3.
- liii United Way, “Nonprofit Leadership Development Institute,” 2.
- liv Ibid, 1.
- lv Chapman.
- lvi Ibid.
- lvii Birdsell, 15.
- lviii Casey Foundation, 6.
- lix Birdsell, 15.
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