

Making the Most of the Internal Interim Directorship

Robert I. Goler

Assistant Professor in the Arts Management Program, American University

When a nonprofit organization's director leaves in a time of financial pressure, most boards appoint an internal staff member as the interim leader. Executive searches are expensive, and most institutions welcome the temporary "budget bonus" created by an internal appointment because four out of every five dollars often go toward salary costs. While recent management literature has suggested that nonprofits benefit from the designation of independent professionals as interim directors when their leaders leave the organization, relatively few organizations choose that path. For small, under-funded agencies hiring an independent professional is seldom an option. But what are the effects of the decision to appoint an internal staff member for this transitional leadership role?

This article is based on a survey of 52 interim directors in nonprofit museums in the United States. Altogether, these museums reflect a wide diversity of organizations—visual arts, history, science centers, and children's museums—and different budget sizes, from those with budgets under \$100,000 to those with multi-million dollar operations. Nearly all of the survey participants had been promoted internally when the previous director left. For a variety of reasons, most never returned to their old positions. Their experiences were instructive of the prospects for interim leaders throughout the nonprofit sector.

Experience Matters

In times of executive transition, boards commonly turn to a senior staff member to serve as the organization's interim director. And they have sound reasons for doing so. Current staff members are committed to the organization's mission. They "know the ropes" and are generally able to move quickly into the new post without much preparation. Their appointment can be done quickly so that the organization stays on course with a minimum of interruption. Finally, the modest salary increase for the temporary appointment of an internal staff member is easy on the budget. Indeed, in some circumstances, boards have been known to use the cost savings of an internal appointee to help cover temporary budget deficits.

What qualities do board members seek for an interim appointment? My survey results indicate that board members looked to the experience and maturity of their staff when selecting interim directors among current employees. The average (and mean) age of the interim appointee was 43 years. Appointees were selected from all parts of the organization, administration, development and programs. Women outnumbered men three to one. While that may simply reflect the predominance of women in the museum profession, further study of gender as a factor is certainly warranted.

The key element of the interims' appointment seemed to be their level of commitment and experience. Most interim appointees had served at their organization for seven years, with over

20 percent having more than a decade of service. This average length of service was even higher than that found in a study of interim leaders within legal service agencies (Farquhar, 1991). In both cases, the data show that boards want someone with a proven record to provide leadership during the interim period.

How Did They Fare? The Interim Director Experience

Without exception, the interim directors in my study found the temporary leadership experience to be career changing. For some it was a period of unbridled terror and frustration, dealing with dysfunctional boards and shrinking budgets. For others, it was an unparalleled opportunity to learn new management skills and to implement long-held goals. One interim said, “During my tenure I served as the spokesperson to the national media...as a result of our involvement in [a controversial] exhibition. I became much more visible in the community, speaking frequently at public events.” For another it was the first time that they were able to explore the realm of the executive: “I was given opportunities to make leadership decisions.” These individuals grew through the experience of facing unexpected challenges.

Being an interim director is a crash course in nonprofit management and a great opportunity to learn new skills. Interim directors can have ample opportunity to make executive decisions, particularly during times of financial pressure or public scrutiny. “Our governing board decided first to close the museum and subsequently to reorient its mission and program,” recalled one interim at a contemporary art museum. “I helped guide this process and spent much of my time and energy trying to ensure the museum’s survival. The experience gained as acting director somewhat offset my lack of formal museum training.”

Many individuals who served as interims ended up using the position as a prelude for a future directorship. “The interim directorship was great to have on my resume,” commented one individual, “and became a launching pad ... to the directorship path.” Another interim points to one of the reasons for this: “It allowed me to see [the organization] from a global perspective.” Over one-third of the interim directors in my study went on to permanent directorships. In fact, one out of every five interims was appointed to the permanent directorship at the institution where they served as interim. The rate jumped dramatically for those who formally applied for the directorship at their organization; nearly half of these were appointed!

Comparing the interim experience from the perspective of the individual against that of the organization helps to identify common organizational issues. For the individual, the position offered:

- An opportunity to gain executive experience,
- A stepping stone to a directorship (either at their institution or elsewhere); and,
- A salary bonus.

For the institution, the major positive aspects of an interim experience are:

- Continuity for the existing mission,
- Leadership experiences for second-level managers (thereby increasing the overall capacity of the organization); and,
- A short-term cost savings in salary expenses.

The area of greatest overlap lies in the practice of using interim directorships to increase the managerial capacity of the organization's staff. The interim experience offers a "trial run" for those who would like to explore the world of executive life. The results, even when negative, can be instructive in terms of career planning. As one survey participant lamented, "The experience made me committed to the idea that I *never* want to be a director." "The board was surprised and pleased with my performance," noted another individual, "I had not been perceived as having ability to run anything." This individual used her professional knowledge to develop executive ability.

In order to exploit the dynamic qualities of the interim period, however, the interim must have a clearly articulated vision of what can be accomplished and how to motivate staff, trustees, and stakeholders. In organizations facing severe pressures, the conditions under which clear leadership can be exercised are not always readily available. Consequently, the results of interim directorships are not always positive.

Unexpected Endings

Individuals who are not chosen as the permanent director, and who choose to remain at the institution where they served as an interim, can face a difficult transition back into a regular staff position. "It is hard to let go of the director thinking process," suggested one individual. A significant number of organizations recognized the knowledge gained by the interim director and created a new position that honored this gain and also gave the organization a more seasoned manager. Over 40 percent of the interims in my study assumed new duties within their agency, and in most of these cases the individual received a permanent salary increase. "Since I have successfully been acting director for so long," noted one participant who moved into a newly-created deputy directorship upon the appointment of the new director, "I would not have planned to stay if the current arrangement had not been made." This action was consistent with the board's original intent of ensuring stability and continuity when appointing an internal staff member to the interim position. Board recognition of the service of interim directors at the end of their term of service—through such measures as expanded authority, a new position, or a higher salary—can promote loyalty. As one participant who was promoted to a new position at the end of the interim service said, "I now have a greater commitment to the institution than prior to the search."

Differences of opinion with the new director are a common experience for interim directors who return to staff positions. In response to the unexpected challenge of accepting a new director, one interim commented, "There is difficulty in seeing processes and projects started during the interim that are then abandoned by the new director." Newly subordinate ex-interims may become key players in a new director's program, as in the case where one director-designate threatened not to accept the executive post if the interim left the institution. On the other hand, some study participants indicated that they were seen as "has beens" or as unwelcome competitors. When the transition period is used for strategic assessment, and the interim director is involved in the executive search, the adjustments associated with the new director may be lessened.

In a sizable number of cases, the interim appointment had an unexpected ending. One quarter of the entire interim appointees left their institutions upon, or shortly after, the appointment of the new director. Their reasons varied from a belief that they were perceived as “a threat” to the new director to a general souring on the organization. Regardless of their reasons, the effect of the interim directors’ unanticipated departures constituted a “second wave” of departures that negated the good intentions of the board in appointing an internal interim. In a short period of time the organization can lose both its director and its second-most senior staff member, a situation that can make for a particularly hard transition for groups with small staffs. Why does this happen so frequently? Can anything be done to prevent it?

Succeeding as an Interim Director

Interims need to be proactive in creating a positive interim directorship. They need to realize from the beginning that “doing a good job” may not be enough to prevent frustrations and misunderstandings. They need to do everything possible to relinquish their former duties for the duration of the interim appointment and focus on leadership issues. “Because I still held the other job,” one participant recalled, “it was almost impossible to experience the position as a Director would have.” Being an interim director is hard work, and not something to be done as an adjunct to one’s regular duties. It is important to understand the role changes that occur when one assumes—even temporarily—the mantle of executive leadership (Hall, 1995). As part of this shift, interims should be prepared to change their relationships with colleagues within and outside the organization. Outside the organization, the interim is likely to be seen as a person speaking more for the institution than s/he was formerly accustomed to doing. The impact can be surprising, much like a latecomer to politics who suddenly finds voters and journalists carefully scrutinizing every word. Whether the interim sees this change as positive or negative will vary according to the individual’s personality, the organization’s culture, and external pressures.

Within the organization, the new managerial dynamic can be particularly startling in terms of relationships with former colleagues. The truism that “it is lonely at the top” is no truer than in the case of interim leaders. Where an individual might have once confided or even complained about the institution’s leadership to another manager, the interim director has to find a way to set himself/herself apart from much of the internal politics. The shift is analogous to that of a curator-turned-grantmaker who told me, “I have lots of new friends calling and inviting me to events, but far fewer intimate friends.” The interim director is likely to supervise former confidants. It is important that interims manage reporting relationships in ways that will be seen as fair and impartial by those within the agency.

When personnel actions are required, including disciplinary actions, it is essential for interim directors to follow clear procedures and to keep the board fully informed. Surprises happened in many of the interim directorships I studied and those individuals who set consistent and clear goals were able to keep their organizations on track. This is especially true when an interim faces the unhappy situation of layoffs or closures, a situation that a depressed economy can certainly propel into the forefront. One interim found it necessary to discipline, and ultimately

fire, a long-standing friend whose insubordination and poor attendance was undermining institutional discipline.

Taking care of oneself becomes especially important during an interim directorship. Interims should recognize that the pressures of their new post could easily affect their personal lives. “It was a very, very stressful period of my life,” recalled one interim who suddenly found it impossible to leave everything at the office, particularly when she was expected to attend social events and make numerous public appearances. Setting side time for exercise and personal entertainment are essential. Interims need to acknowledge their spouses, companions, and family members on a regular basis. Something as simple as setting aside an evening each week when the phone is turned off (or left on the answering machine) so that undivided attention can be given to loved ones can make an enormous difference in maintaining personal relationships during an interim period. A stressful interim directorship could, of course, be very useful in helping one decide not to accept a directorship!

Appointing an Interim Director

Boards need to approach the interim directorship with a balance of humility and honesty. Appointing someone from the staff to an interim position can dramatically change their lives, and the pros and cons should be carefully considered. Choose an individual who is respected by the staff and whom you believe has leadership ability. Familiarity with the organization is a plus, but perhaps not as important as selecting someone of proven judgment. Clearly defining the goals of the position is critical, as a two-time interim noted, “Clear definition and a written contract are needed to make it work.”

It is important to discuss the terms and expectations of the interim position with the designated individual. Many boards, anxious to fill the leadership slot, react before working through the implications and obligations of offering an interim position to a staff member. If at all possible, boards should offer a temporary salary supplement and ask the individual what other types of support might be useful for this leadership role. Every effort should be made to guarantee that the interim will be able to return to his or her prior position at the end of the transition. If the initial appointment is made by an executive committee, it should be affirmed by the full board. Where the individual chooses not to be a candidate for the permanent directorship, s/he should generally be included in the search process. The terms of the interim position should be committed in writing and included as an addendum to any existing personnel contract.

The appointment of an interim leader is an affirmation of leadership continuity and it is important to publicly acknowledge the appointment to the community and important stakeholders. The interim has a critical role to play in representing the organization to the community and it is critical that s/he have the full support and confidence of the board. Efforts should be made to introduce the interim director to important decision-makers in your community.

Wherever possible, the interim director should be given the full trust and authority for the internal operations of the organization that any director would have. The board should rely upon

the interim director to provide accurate and analytical assessments of the budget, personnel, and programs. The decision to call the appointee the *interim director*—not the *acting director*—reinforces the continued authority and responsibilities of the executive position and proclaims that the agency will continue to operate effectively during the search period (Evans and Fletcher, 1979-80). It also is critical for the board chair to make this delegation of authority clear to the staff. Staff members who approach individual board members concerning personnel or policy matters during the transition period should be referred to the interim director.

Upon the selection of a new director, the board should publicly thank the interim leader. In addition to conducting a performance appraisal, the board should consider the feasibility of a permanent salary adjustment and determine whether the interim leadership experience warrants a new position. In many cases, the creation of a new associate directorship or vice presidency can be enough to keep an individual on staff. Such appointments need to take into account the fiscal realities of the organization and the strategic goals of the newly appointed director.

A Strategic Window of Opportunity

Executive transitions are a normal part of the nonprofit sector. The challenge for organizations is to approach these transitions in an activist mode and with a positive outlook. The Board should assess the agency's condition and decide on the goals for the interim period. Should it be "business as usual?" Is a change of course required? Do specific steps need to occur to attract the proper leader? Clarifying the priorities for the organization during the interim period is a necessary foundation for a successful transition.

Properly supported, the interim director can lead the organization through a period of dynamic self-assessment that can lay the groundwork for sustained growth. William Bridges has written about the "neutral zone" that occurs during management transitions: a unique period when new awareness can be developed before a routine is established (Bridges, 1991). Interims who are able to stay within the neutral zone during the transitional period can effectively gauge an organization's position, much like a knowledgeable consultant. In offering a strategic analysis to the board (and potentially to the new director), an interim can help match mission and organizational capacity to set the stage for a period of sustained progress and improvement.

My study focused primarily on the impact of internal appointments to interim directorships—the approach usually taken by small and financially constrained organizations—but there are other options. Where a viable internal candidate is not apparent, boards may wish to appoint one of their own to provide interim leadership. This approach has many of the advantages of an internal staff appointment, particularly in terms of economy and continuity of mission. But many trustees have other commitments and do not always have the option of providing the full-time leadership that the organization deserves. And, in situations where there was a contentious relationship between the former director and the board, it may be difficult for a board member to gain the trust of the professional staff.

Another alternative is to turn to an outsider as a "deliberate interim." This alternative is rarely chosen, primarily because the increased financial obligations of this approach are not realistic for

most nonprofit organizations and because there is a sense that, by the time the deliberate interim understands the organization, a new director will be appointed. However, some recent studies have argued that there are noticeable benefits to organizations that go this route. In large groups where much of the work of the executive is focused externally, deliberate interims were able to help secure greater unearned income than were internal appointees (Ferrin, 2002). And, in cases where the director's departure was accompanied by a major rupture at the organization, an outsider can help calm the turmoil and improve the setting for a new director (Farquhar, 1995). Six such experiences surfaced in my study and each offered added value to the organizations that they led. "Not being a regular staff person," recalled one deliberate interim, "put me in a different relationship with the board." (See the note on "Deliberate Interims" below for more discussion of this approach.)

Whoever is chosen for the interim directorship, it is critical that the transition period be recognized as vital to the long-term health and sustainability of the organization. "Failed transitions," notes Tom Adams, "often cause repeated executive turnover, loss of organizational focus and momentum, and extended periods of under-performance" (Adams, 2002). We owe it to our staffs, our volunteers, and our communities to make good use of this critical window of opportunity by designing effective interim directorships.

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Deliberate Interims: An Alternative Approach

Deliberate interims can provide a special style of leadership to the organization. Hired to provide day-to-day leadership during a transition, deliberate interims can keep an institution on course while offering a “cushion” to staff and trustees alike. Since they are not interested in a permanent position and will never work as peers with those they supervise, they are able to assert an authority comparable to that of a permanent director. They also allow trustees to focus on the areas of their greatest competence: organizational mission and the search for a new executive. Deliberate interims can assist the board by making independent assessments about the organization—identifying strengths and weaknesses among the programs, staff, and structure—which, in turn, could help to attract and orient a new director.

In a situation where tangible problems precipitated a director’s departure, a deliberate interim also may be able to resolve issues and prevent future harm to the organization’s reputation. Such steps may even ease the process of hiring a new director. This appears to have been the case, for example, at the United Way of the National Capital Area (Washington, DC), where the nine-month long interim leadership of a “borrowed” executive from a local nonprofit last year improved internal management and governance issues. The resulting level of public confidence helped the agency to successfully recruit a new CEO in the spring of 2003.

Several efforts have been made to support nonprofit organizations as they address executive transitions. A leader in this area is the Executive Transition Service at CompassPoint (formerly the Support Center of San Francisco; www.compasspoint.org/els). This service helps Bay Area nonprofits conduct self-assessments, offers access to a pool of experienced interim leaders, and has training resources for organizations experiencing transitions. Another innovative regional resource is the Executive Leadership Transition Initiative, underwritten by the Annie E. Casey Foundation (Baltimore, Maryland) to assist nonprofits in Maryland. Two projects supported by this initiative are Transition Guides (www.transitionguides.com) and Management Performance Concepts (www.managance.com). Both groups offer evaluation services to nonprofit organizations. Transition Guides is developing research tools and management benchmarks to assist organization undergoing leadership change; their website offers a wide array of resources. Management Performance Concepts offers direct services to individual organizations. Also, the Support Center for Nonprofit Management in New York City is expanding its executive transition program to include many of the components offered by Compass Point. Professional resources on interim leadership have also been developed for specific disciplines. Early efforts to understand the interim process were undertaken by The Alban Institute (www.alban.org) through their experience with interim clergy in religious organizations. Another example of path-breaking work in this area was sponsored by the Association of Governing Boards of Universities and Colleges (www.agb.org). Their publications offer recommendations that remain relevant for large nonprofits. More recently, the Museum Trustee Association (www.mta-hq.org) has published a handbook to assist member organizations as they search for a new director. This volume, part of the Association’s “Templates for Trustees” series, includes a number of work tools and an interactive disc that allows organizations to customize their transition program to their specific circumstances.

In addition, some consultants have begun to establish themselves as deliberate interims to the nonprofit sector. Their services vary according to the organizational needs and budget, but nonprofit boards should expect these individuals to provide an honest assessment of the agency and its resources. It is possible to include these consultants in the search process, or to have their services included in an overall executive search contract.