BARRY DYM • SUSAN EGMONT • LAURA WATKINS

MANAGING LEADERSHIP TRANSITION FOR NONPROFITS

PASSING THE TORCH TO SUSTAIN ORGANIZATIONAL EXCELLENCE

Praise for *Managing Leadership Transition for Nonprofits*

"Leadership transition is one of the greatest challenges and opportunities faced by an organization. Leaders know that leaving well is the last great gift a leader can give to the organization. *Managing Leadership Transition for Nonprofits* is an indispensable guide for leaders across the sector."

—Frances Hesselbein, President and CEO, Leader to Leader Institute

"Invaluable guidance on the most neglected topic in nonprofit management—leadership changes at the top. A trio of very successful practitioners—with deep experience in the full range of nonprofit roles—provides a highly readable and useful conceptual framework and practical tools, with a focus on the essential responsibilities of nonprofit board members. A distinctive strength of this book is that it provides advice on both how to avoid common problems and also on how to seize the positive opportunities that are presented by leadership transitions."

—Rob Hollister, Dean, Jonathan M. Tisch College of Citizenship and Public Service, Tufts University

"*Managing Leadership Transition for Nonprofits* demonstrates the importance of leadership continuity. As the baby boomers retire and relinquish the reins to a new generation, the process is as critical to the continued strength of the organization as are the leadership qualities of the successor. There is a crisis afoot in America's nonprofits, and this book identifies the solution."

—Vicki Donlan, author, *Her Turn: Why It's Time for Women to Lead in America*

"Transitions of leadership are often scary and volatile moments in an organization's history. Yet, they can also be used as strategic moments to bring clarity to the organization, reinforce direction, and align a new leader with the organization for the next chapter of growth and social impact. This book captures not just the steps in a transition, but the overall strategy to keep an organization vibrant and healthy over the long term. It is a guide for building the foundation of a leadership culture that will position organizations toward healthy and natural CEO transitions."

—Ned Rimer, Co-Founder and formerly Executive Director, Citizen Schools; and Founder & Executive Director, Chronic Care Community Corps, EDC

"The number one responsibility of a Board either for profit or nonprofit is managing risk, and the number one risk is transition of leadership at the top. The authors have done an excellent job in identifying a major issue for all companies and present a roadmap that is logical, thorough, and a good approach to succession planning for directors to follow."

—Bud Bergren, President and CEO, The BonTon Stores, Inc.

"*Managing Leadership Transitions for Nonprofits* is a highly readable, comprehensive, thoughtful, and realistic guide to the critical issue of leadership transition in nonprofit organizations—a topic that will become even more timely as the current generation of nonprofit leaders retires. Authors Dym, Egmont, and Watkins each bring important and diverse experiences and perspectives to this topic based on years of advising and running nonprofits. In particular, they do not shy away from discussing some of the real challenges of managing a charitable organization and transitioning to new leadership. And yet they do this while also giving a sense of how rewarding and how special the work of a nonprofit CEO can be. The book's focus on the role of nonprofit boards and strategy development is especially important, and the inclusion of specific sample tools that can be used in a change process are an added plus."

—Beth Smith, Executive Director, Hyams Foundation

"*Managing Leadership Transitions for Nonprofits* is about much more than the mechanics of the transition process. It goes deep into what effective nonprofit leadership looks like—for the board, for the CEO, and for the board/CEO partnership. It nicely champions the moment of CEO turnover as a special opportunity for a nonprofit to refresh its strategic vision and renew its commitment to the leadership excellence needed to pursue that vision."

—Tim Wolfred, Senior Project Director, CompassPoint Nonprofit Services

"During the next two decades, the challenge of leadership transition will be among the most important in the nonprofit world. *Managing Leadership Transitions for Nonprofits* is the perfect companion to those transitions. It clarifies the problems and provides a step-by-step guide for taking advantage of the great opportunity: to select and align new leadership with organizational strategy and objectives. And, by the way, it offers an excellent general blueprint for good governance and good management. This is an important book for nonprofit boards, leaders, and staff."

—Pat Brandes, Executive Director, Barr Foundation

"The long-term success of all nonprofits is directly tied to the selection and on-boarding of CEOs. As the time between transitions gets shorter and the role of the Board of Directors becomes more complicated, a full understanding of the complexities of CEO transitions is essential. *Managing Leadership Transition for Nonprofits* provides an exceptional roadmap toward success. It should find a place on the must-read list for current and aspiring CEOs and for all who serve on nonprofit boards."

—Jan Verhage, Chief Operating Officer, Girl Scouts of the USA

"Having experienced transitional situations described in the book, I found myself saying an AMEN to the analysis of problems as well as the how-to steps that can be taken to construct an organization to achieve their objectives—and how to bridge from the 'old' to the 'new' to sustain organizational effectiveness. The information, direction, and guidance provided is not theoretical, but definitive and clear in the approach to passing the torch and is on target in diagnosing problems and challenges involved in leadership transition. The specifics provided in creating a management plan is an invaluable blueprint."

—Sandy Kautz, Nonprofit Management Consultant

Managing Leadership Transition for Nonprofits

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Managing Leadership Transition for Nonprofits

Passing the Torch to Sustain Organizational Excellence

Barry Dym
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We would like to thank the many, many leaders, managers, staffers, board members, and other volunteers who have dedicated so much of their lives to bringing to life the values and objectives of nonprofit organizations.

To my grandchildren, Molly, Jake, and Eli: May they carry the torch of practical idealism and fight the good fight in this very confusing world of ours.
—Barry

To Bill Bolling, who invited me into the nonprofit world, Badi Foster who encouraged me to pursue my dream of consulting, and to Westy, my partner in work and life.
—Susan

To Girl Scouting, which taught me to lead; and to my family, who taught me to love and honor community action.
—Laura

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About the Authors

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As a consultant, Dr. Dym specializes in executive coaching and team building; strategic planning and implementation; aligning strategic direction with organizational capabilities; and the management of change and key organizational transitions.

He has founded and directed three other organizations—The Family Institute of Cambridge, The Boston Center for Family Health, and WorkWise Research and Consulting—and a journal, *Family Systems Medicine*. He has served on and advised many boards of directors.

Dr. Dym has written four books—*Leadership in Nonprofit Organizations*, *Leadership Transitions*, *Couples, and Readiness*, and *Change in Couple Therapy*—and many articles, including "Utilizing States of Organizational Readiness" (*OD Practitioner*), winner of the Larry Porter Prize as the best article on organizational development, 1998–1999, "Resistance in Organizations: How to Recognize, Understand and Respond to It," "Integrating Entrepreneurship with Professional Leadership," and "Forays: The Power of Small Changes."

Dr. Dym received his A.B. and his Ph.D. from Harvard University, where he received a Woodrow Wilson Fellowship and a Harvard Five-Year Prize Fellowship.

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In addition to executive transition work, Susan has consulted extensively with nonprofit organizations in board development, strategic planning, human resource issues, and program development.

Susan was formerly Executive Director of Blue Cross and Blue Shield of Massachusetts' foundation for children's health and Deputy Director of the Boston Private Industry Council. She was the director of a contemporary dance company and spent eleven years in management at the Atlanta Community Food Bank.

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Laura Watkins is principal of Dovetail Associates, a consulting firm which provides integrated services to nonprofit organizations with a focus on strategic planning and organizational development, senior leadership transition, and executive coaching. Laura's passion is to build a nonprofit sector to sustain a healthy democracy. Her clients include organizations of all sizes, regional and national coalitions, and nonprofit boards of directors seeking to reorganize operations to achieve their mission.

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Introduction

There is a crisis of leadership in our country. We idealize and revile leaders with equal passion. We welcome them as saviors and boot them out as scoundrels. The crisis, however, may reside as much in our confusing expectations as in the leaders' ineffectuality. There may be better ways to identify, introduce, support, and monitor our leaders that will enhance rather than undermine their performance.

That is the subject of this book: how to manage the change from one leader to the next in a way that gives leaders and the organizations they serve the best possible chance to succeed.

Leadership transitions are among the most important activities in the lives of organizations. Some people believe, for instance, that George Washington's stepping down after two terms in office set the stage for American democracy. Through his action, he rejected monarchy, even his own, and announced the imperative of orderly succession. So it is with organizations: Orderly succession announces the preeminence of an ongoing collective, not personal, agenda.

This is not always easy. Succession often follows conflict and confusion or, as in Washington's case, the departure of a beloved and trusted steward. How, we wonder, will we trust anyone else? But, of course, we must. And the way we guide that transition—the manner of our management itself—is the key to assuring our stakeholders that the continuity of purpose and activity will be preserved.

Managing Leadership Transition for Nonprofits: Passing the Torch to Sustain Organizational Excellence presents an analysis of the problems that lead to frequent leadership turnover and the mismanagement of transitions. Ours is an aspirational portrait of how to construct organizations to achieve their objectives and how to transition management in a way that forms a sturdy bridge between the departure of the old leadership and the introduction of new.

The Crisis of Transition

For many people, the question of leadership turnover and transition is relatively minor and obscure—nothing to particularly concern themselves about. The scale of the problem along with the importance and complexity of the cure fly well below the radar. Some think a few professional consultants should pay attention, but not themselves even if they work or volunteer or serve on the boards of nonprofits. But for all of us who care about nonprofits, the conduct of leadership transitions is a big problem with a big upside if we learn to do it right. Transitions are deserving of a great deal of our attention.

What initially drew our attention to transitions were reports of the frequent, repetitive, and destructive turnover of leadership in the nonprofit world. Our work in executive education, executive search, and organization development consulting put us inescapably in the path of the storm. More formal research filled out our understanding.

Here's what we learned.

At any given time, there be as many as 20 to 25 percent of executive directors (called CEOs throughout this manuscript) in or near transition. According to various sources, as many as 34 percent of organizations have already had two or more executives in the past five years, and within five years more than 70 percent of CEOs expect to leave their current positions. Nearly 75 percent of all nonprofit executives will reach retirement age over the next two decades (Annie Casey Foundation).[1] According to Bridgespan, by 2016, the nonprofit sector will need to add an average of 80,000 senior managers every year. These are astounding numbers!

Depending on who is measuring, the average tenure of nonprofit leaders is between three and five years. This leaves hardly enough time to build programs, put together effective teams, and achieve financial viability and credibility. Whatever progress leaders make in their adopted organizations is often undermined by rapid turnover, which inevitably proves costly and destabilizing to the organizations and to their own confidence. With the diminishment of credibility and resources, each new start becomes more difficult than the one before. It becomes harder and harder to convince funders, staff, and community leaders that this time will be different.

A Problem of Significant Proportion

And the scale of the problem is growing. Currently, a huge proportion of nonprofits are led by members of the baby boom generation who will be retiring during the next decade. Tens of thousands of new leaders will be selected by tens of thousands of boards of directors, managing millions of staff people and serving many millions of clients.

Some of the turnover, then, is natural: people aging, retiring, and giving way to a new generation of younger executives. But in many, even the majority, the displaced leaders are not older and ready for the next stage of life, and there is little about their departure that is natural, peaceful, or productive. Many depart on a sour and dispirited note. They have been fired or eased out, or, seeing the handwriting on the wall, they leave while they can still command good letters of recommendation—not necessarily given because board members believe in these recommendations but because boards would like to see a "peaceful" transition before circumstances get really bad.

Some CEOs are poor stewards, naïve about finance, marketing, and program development and poor managers of their staff. Or, at their worst, they are scoundrels who have embezzled money or betrayed the hope and dreams with which they had been entrusted. For their part, CEOs flee situations that they realize are untenable: unrealistic goals married to limited resources; demanding, micromanaging boards who raise few funds and provide fewer connections to those who have the resources; helter-skelter programs in search of any stray foundation dollar; and poorly paid staff with limited experience or ability.

There are also times when long-standing leaders depart with dignity, when illness makes leadership impossible, or when a bigger, better job looms on the horizon—when leadership "dies of natural causes." But, more often than not, the actual turnover follows periods of contention, behind-the-scenes rumors, wrangling, and accusations that divide and debilitate the nonprofits. Transitions don't generally begin with clear, rational decision making and at clearly marked times. Rather, they build and seethe over time. One of the problems with "rapid transitions" is that they really take place over long periods, during which ill will and organizational ineffectuality build.

Much can be lost in transition. Transitions absorb time and energy from boards and staff. They are costly. Credibility may be sacrificed. Funders and partners wonder if the organization has lost its way, whether it will have the ability to carry out programs, and whether it is trustworthy. Program development tends to slow or stop, awaiting the approval and guidance of the new leader. Staffs may grow indecisive or contentious without a leader to guide. Organizational memory can be lost.

During the transition period, conflict and chaos can sometimes be so unrestrained that the growth of the organization is seriously impaired for years to come. High turnover and poorly managed transitions all too often mean that organizations develop neither stable, experienced leadership nor the opportunity to grow in the planned and steady way that optimizes their potential. Perhaps worst of all, some organizations may fall into a downward spiral of events, precipitated by poorly managed leadership transitions, and move unavoidably toward dissolution.

Some leadership trajectories play out differently. In arenas like community health and legal services, leadership tends to be long lived; some would say it's too long, because the length of tenure clogs the pipeline of fresh younger minds and talents. Turnover in these stable organizations generally follows retirement. After 20 or 30 years with one leader, these organizations can be so set in their ways that it isn't chaos but stagnation that threatens. And it is hard to step into the shoes of the legendary people who founded and shepherded their organizations through so many good and bad times.

These days, however, frequent turnover is more often the rule. Downward spirals are created that go something like this. The organization experiences difficulties. Someone must be blamed; the leader is nominated, putting her under increased scrutiny and pressure and cutting into the trust and credibility that is her prime capital. As a result, she grows less effective, fueling the inevitable movement to replace her. As disappointed as the staff, board of directors, and funders may be in the leader, however, they are equally anxious about life without her, and they hurry to find a replacement. In their worry and hurry, they choose too quickly—a smart person, an articulate person, but one who may be not quite right for this particular organization. Then they place an exaggerated amount of hope in the new leader and her ability to rescue the organization. Almost invariably, she does not live up to the hype—maybe only by a small margin—but staff and board react as though she has betrayed their trust. The downward spiral continues.

There are about 1.4 million nonprofits in the United States today. Every year another 40,000 nonprofits are created. In many cities, they represent between 10 to 15 percent of a region's economy, including an important percentage of jobs and many distinctive services. Collectively, these organizations provide a huge array of services from which local, state, and federal governments have withdrawn in recent years. They are the source of many of the most innovative ideas in social services, environmental advocacy, and the arts, and they are the proving grounds for these ideas before governmental agencies, corporations, and society as a whole adopt them on a major scale. Nonprofit organizations represent both an advanced guard and a sustained voice for social justice. Ever since the nineteenth century, when Alexis de Tocqueville celebrated America's "voluntary societies," nonprofits have been the signature and one of the great bastions of our free society. Allowing them to weaken would be a national disaster.

At the same time, the proliferation of nonprofits during the past couple of decades has created problems. The majority, for example, are small, with revenues between $50,000 and $250,000 and staffs of two to six. They provide limited resources with which CEOs can build programs, staff, or infrastructure. It is hard to succeed in these organizations whose boards tend either toward a "rubber stamp" approach—"friends of Sarah"—with little accountability from the CEO or toward operational boards. Founding boards, for example, often have to roll up their sleeves to stuff envelopes, market services, and manage staff and are reluctant to yield control to anyone, including the CEO. In such cases, control problems naturally arise. Inexperience on the part of both boards and CEOs can exacerbate these control problems. They don't know what responsibility belongs to whom. They haven't lived and worked their ways through crises. They don't know what an effective relationship between the board and the CEO looks like.

The clash of inexperienced, not-so-confident forces—board presidents and CEOs—can provide a flammable mix. Without experience, each event, each challenge can take on a magnified appearance. In the best of situations, CEOs and board presidents balance and complement one another. Problems arise, and in the worst of situations, one person's anxieties fuel the other's anxieties, and one person's criticism leads to defensive responses from the other.

With relatively green CEOs and board presidents, there is a good likelihood of escalating levels of concern and conflict. Our research findings, then, should come as no surprise: Conflict between these two pivotal players may be the most influential cause of leadership turnover. If no lessons are learned with the first transition, this result is likely to repeat itself—the downward spiral mentioned previously. As a result, much too little leadership capital is built.

One hidden but significant victim of the trend toward rapid leadership turnover is leadership itself. There is little time for leadership to grow and ripen. It is rare that skilled leadership emerges full blown. There are those rare beings that had "it" from the start. They were presidents of the homerooms and high school classes—centers of attention in any room they entered. But most people take time to build the skills, confidence, maturity, or even self-image to lead others in effective and sustained ways.

During workshops with people currently in leadership positions, we have asked for a show of hands on who frequently feels like an impostor. Almost everyone raises their hands, expressing more relief at the company than embarrassment at being found out. At the Institute for Nonprofit Management and Leadership at Boston University, whose students are already practicing nonprofit executives, the biggest gain they report is in their level of confidence. Even when these executives are skilled—say in the creation and management of budgets—they tend to feel insecure in their knowledge.

Unlike business leaders who have taken the MBA path, many leaders of small to medium-sized nonprofits have had few objective standards by which to measure themselves. Although an increasing number of nonprofit executives do have MBAs, many are self-taught or taught by others like them. They have "built their ships while they sailed" and may not fully trust the lessons they have learned. They are often extraordinary people who have made do with much less than their corporate counterparts or even than their peers in large nonprofits. But they don't always know how talented they are, and they don't always have the specific training to help realize their talent.

Peter Drucker, a father of management theory and practice, sang the praises of nonprofit leaders—at the same time, tweaking arrogant corporate executives—when he called Frances Hesselbein, the then-CEO of Girl Scouts of the USA, the best leader in America. Bridgespan, the nonprofit consulting organization created out of Bain Consulting and Harvard Business School, implies the same when it says that nonprofit management is more complicated than corporate management. Corporations have only to please their customers and thereby their stockholders. Nonprofits have very different types of customers: the people they serve and the funders they have to woo with equal or even greater zeal. Top-notch nonprofit leaders who are able to manage both markets would be top of the line in any field. But this does not hold for all nonprofit leaders. Many find the complexity and extent of their work daunting.

The same is true for the volunteer leaders who form the boards of small to middle-sized nonprofits and are inexperienced and uneducated in the work of boards. Many have never served on boards before. Individual members might have experience and skills in management, but program or financial management is different from board leadership. Few have chaired boards, with their complex and demanding charge that minimally includes fiduciary oversight, strategy, and policy formation along with hiring, firing, and managing the CEO. Board presidents raise money themselves, connect CEOs to people of influence and wealth, and generally serve as all-purpose advisors to CEOs. It can be and often is a 15 to 30 hour a week job on top of their day job. And, even more than CEOs, many board presidents conduct their job by feel, with little to no formal education in mentoring or coaching to help them. As a result, they may lack clarity and confidence.

Collective leadership on boards is another kind of animal altogether. In fact, it is often the inability of boards to act in concert, to provide coordinated guidance to CEOs, that creates problems that weaken leadership. CEOs, for instance, often enough get caught between differing or conflicting board factions. Some boards drive CEOs crazy through their micromanagement—insisting on attention to and participation in the smallest details. Others act the role of loyal supporters: "Whatever Tom thinks is right is right by me." In the first case, control struggles tend to emerge. In the second, lax program and financial management is overlooked until crises occur. It is the combustible mix of inexperienced CEOs and their boards that leads most often to leadership turnover.

Boards During Transition

During transition periods, boards take on a more direct leadership role. They write the job description for the next CEO. What, after all, is an executive job description—or what should it be—but a statement of the organization's objectives and strategies and how the board expects the new leader to carry them out? At the same time, boards must manage senior staff so that programs continue as smoothly as possible and financial accountability is maintained so that staff can feel secure enough to perform their job in the absence of executive leadership. And boards have to create effective communications with all the organization's stakeholders—clients, staff, funders, community supporters—assuring all that the organizational agenda will survive and thrive despite the departure of the current leader.

The more we focused on the critically important role of boards during the transition process and throughout, the more we realized that our book is largely about volunteer leadership: how to work effectively during the transition stage and how to be effective through what we call the *cycle of leadership*. By that, we mean the stages leaders pass through, from the honeymoon to vulnerability to a kind of mature confidence.

Even among relatively experienced people, leadership capacity in any single organization takes time to develop. New CEOs have to understand the levers of power. They have to create alliances with stakeholders to build programs and raise money. To make these alliances, new leaders have to figure out how to fit into the organizational culture. They have to build trust and credibility to have people come along on the journey—particularly in nonprofits, where financial incentives (high salaries and performance bonuses) are largely absent. It takes time to be a truly effective nonprofit leader. Rapid turnover robs leaders and organizations of that time, ultimately creating stagnation. From one transition to the next, organizations too often tread water instead of reaching toward their potential.

The absence of sufficient leadership development in the nonprofit sector is no secret. Almost all the foundations that invest in nonprofits acknowledge the dilemma. Sometimes they wring their hands in anguish but don't quite know what to do about it, suggesting, for example, that organizations merge so that scale will produce opportunity for leadership development. They also know that boards of directors often represent part of the problem. They willingly fund board development training, which sometimes proves extraordinarily effective but more often trends toward interventions with too little "dosage."

There are few sustained or substantial programs for board leaders, although their skills and knowledge essentially make or break the effectiveness of leadership transitions. Ironically, they are the neglected element in the leadership transition. In many ways, this book is for them. The transition period is the one in which they are front and center. They must shine. They must set the stage for all that follows.

Keeping Pace

This is the dramatic problem that brought us to the subject of leadership transition. The more we looked, however, the more we saw rapid turnover and poorly managed transitions as manifestations of more general problems in nonprofit leadership, both professional and volunteer. And, because frequent turnover broadly stunts the stable development of leadership, we believe the whole nonprofit sector cannot grow as strong as it might without the emergence of skillful, experienced leaders.

All too often, the management approach to leadership turnover is rushed, remedial, and reactive. As an antidote, we will propose an approach that is careful, strategic, and forward looking. We emphasize the transformational potential of professionalizing the transition process. We are talking about good leadership, in general, not just good transition leadership. The model we have built for leadership transition, then, extends beyond the transition period and throughout the lifetime of a leader's tenure.

As we noted, nonprofit organizations have been proliferating at such a rapid rate that it has been impossible for leadership capacity to keep pace. The primary source of feedback to CEOs should be boards of directors. After all, their mandate is threefold. First is fiduciary responsibility: holding the executive accountable and providing feedback in the management of organizational finances. Second is policy and strategy—that is, the framing of the organization's mission, vision, and strategy and holding executives accountable for executing the strategic plans. Third, boards hire, fire, *and* manage the executive. This includes yearly performance reviews, but more importantly, it includes an ongoing dialogue on how well the organization, under the executive's leadership, is meeting its objectives.

Reconceiving Leadership Transition and Its Management

Organizations traditionally view leadership transition from a linear short circuited perspective. It is assumed that a leader can transition in or out of the organization without creating holistic change throughout the organization. When a board receives a resignation from a CEO, most often the transition is seen as a finite task. They attempt to find the right person to replace the CEO as quickly and efficiently as possible. The board then hopes that this person can be inserted into the organization without impact on systems, volunteers, or the larger community. In reality, the transition of leadership is a catalyst for seismic changes throughout every aspect of the "living, breathing organism" we know of as "the organization." The new leader has to come to an understanding of the organization's strengths, weaknesses, and strategic perspectives. They have to weave their leadership into the collective roles of the leadership team while honoring or negotiating around the organization's culture. The new leader has to earn the right to be trusted by the board, the staff, volunteers, and the community, to name a few of the tasks that create an effective transition. In this section we describe a shift in thinking from the linear task-oriented transitions currently used by organizations; and we broaden the transition process to include a continuous growth process for the leadership and the organization. Process takes time and attention at all levels of the community.

The Problem with Current

The mismanagement of leadership transitions has tended to compound and exacerbate the problems that have led to them. Why? Because management generally takes a narrow, remedial view, often in the mood of crisis. More often than not, leadership transitions focus almost exclusively on the search process, not enough on the direction they want the organization to move and the style in which they want to move it. They tend to rush, correctly nervous about all that can be lost during the transition but, rather than manage the transition to preserve the organization and separately take time with the search, they rush to find a savior.

Participation in the search process is often confined to a few people. When that is so, information is limited and lost, and communication is poor. Staff, clients, and funders grow nervous within the vacuum of information, make up stories, and pass them around. Rumors abound, creating fires that have to be put out.

Then, once the new leader is chosen, the organization is handed off like a colicky baby—“Here, you take her!” The search process may have lasted longer than expected. The board is exhausted and feeling out of its depth, almost irritated that the new leader has taken so long to enter the scene. In this scenario, boards often act like neglectful parents, failing to exercise even the minimum of oversight. Alternatively, they are so pleased with their choice that they confidently hand off the organization to their knight in shining armor, fully expecting that she will repair what has been lost and bring the organization back to lost glories.

Now a honeymoon stage begins, generally, with little accountability between boards and new leaders—and with equally little support. With time, the exuberance and optimism begin to ebb. Cracks emerge: Financial reports are not as positive as they might be; program development is slower than expected; fundraising is uninspired. The board, who had put too much faith in the leader, then tends to overreact. It grows critical, pulls in the reins too hard, and speculates about the need for new leadership. Mistrust and conflict build.

In other words, the downward spiral that we mentioned at the beginning of the chapter is virtually built in from the beginning of the new leader’s tenure. It is built in because inadequate attention is paid to the period that follows the introduction of the new leader. The cycle leading to the need for another transition is built into the beginnings.

The Opportunity

In spite of and often because of all the *sturm und drang* that surrounds leadership turnover and transition, it also presents a unique opportunity for organizations. It may be the only time—except during an extensive and creative strategic planning project—that organizations not only have the opportunity but are charged with the task of reviewing their mission and objectives, their strategy and capacity, their resources and standing in the world. To select a new leader, organizations must ask: to do what? How best might a leader succeed within the constraints and the opportunities presented by this organization? In this market? Who is the best kind of leader for us? How should we relate to this leader?

In effect, leadership transitions present both the opportunity and the requirement for getting one's house in order. How can you select a new leader without knowing where you want that person to lead or what resources are available? The type of resources—people, finance, infrastructure, partnerships—you have tells you a great deal about the kind of leader you should pick. If you are poor, for example, you may want to choose someone who can do with less, an improvisational person, an unspoiled person, a person who can turn around declining staff morale. Or you may select a relatively unambitious leader, someone with not so much to prove, someone who is happy to be the steward of a stable organization and doesn't need to build a giant. The opposite is also true. If resources are plentiful and the will is there, you might look for a leader who has built organizations before, who can seize the moment to rapidly take you to the next level. What a tremendous intervention it can be to select just the right person for this moment in the organization's history.

Transition as Crisis

Leadership transition means replacing one seemingly irreplaceable person with another, a move that requires everyone else to reorient their work, thinking, and relationships to adjust to this change. As a result, all leadership transitions can be considered crises. Organizations in crisis are temporarily off balance, understandably confused, and somewhat disorganized. They make us uncomfortable, and we almost never seek them out. But, they are a fact and a force of nature, as much a part of our personal and professional lives as the births and deaths, the unfulfilled yearnings of adolescence, and the broken hips of old age. And as much as we try to avoid these crises, they often enough leave us in a better place.

The tendency in times of crisis is to pull in, to maintain, and to protect what you've got. It is the rare person or organization who sees the opportunity in crisis, and rarer still is the person who intentionally takes advantage of the confusion—the disorganization, the grasping for solutions—as the catalyst to move on, to improve, to take the next big step. Rarest of all are those who organize themselves so that they are nimble enough to regularly adapt to change in positive ways.

Incremental change is possible without crisis, improving a little here, a little there. But major change requires the loosening of bonds that generally hold us tight. It requires us to be off-kilter so that we must seek some fundamental new balance. It requires us to lose something basic—a leader—to seek not just a replacement but someone who will move us in directions we really wanted to move in the first place.

Our book's purpose is to lay out a map for the intrepid traveler who believes there is great value in sailing through the rough weather of leadership transitions.

There are three types of crisis. In our approach to leadership transition, we must respond to each and take advantage of each.

Disequilibrium

By definition, crises create confusion and disorganization. The technical word used for such a state is disequilibrium. Although painful, disequilibrium also creates opportunities. As the physicist Ilya Prigogine observed, systems in disequilibrium are vulnerable to change. Everyone who has tried his hand at changing people and organizations knows how difficult it normally is. People are stuck in their ways, skeptical or fearful of change. Most of the time, systems resist change, but during crisis, their resistance is lowered. There is a loosening in the patterns of thought and behavior. There is an urgency that pushes people out of their comfort zone and into innovative approaches to old problems.

Usually these innovations don't last long; people fall back into habitual ways of thinking and doing things. But if these innovations are buttressed by solid and sustained management practices, by creating formal structures and processes that institutionalize the innovations, lasting change is possible.

With this potential in mind, we need to put aside our normal anxieties and embrace the change potential that is inherent in leadership transitions. When new ideas, now solutions, emerge during the transition period—say the value of a strong executive team, long dormant during the reign of an autocratic leader, or the introduction of more regular financial reporting to keep abreast during the potentially chaotic time—they can be grasped and institutionalized. As the saying goes, we must seize the day.

Even more importantly, a transition team has the opportunity to assess whether an organization's programs really do stand a good chance of realizing the mission, whether the financial model is adequate, and whether the type of leader you have had is the best fit for the current organization. So many basic questions come to the fore—if the transition team permits them to.

As we suggested, the tendency during crisis is to minimize damage, to plug the hole left by the departing leader, and to bring the interim confusion to an end as quickly as possible. But if you can establish a trusted transition management process and it takes time to really assess what the organization needs, you have a chance to take advantage of opportunities provided by the disequilibrium that has been created.

Part 2, Chapters 3 through 6, describes the fundamentals of effective leadership: the clarification of mission, vision, objectives, and strategies; good governance; and how to align all resources in the service of mission and strategy. As new ideas burst forth and potential leaders appear during the transition period, we need ways to assess whether they are in keeping with our values and whether they will move us in the direction we have chosen. We need a picture of our future to guide our present search.

Trouble and Pain

Even in the best of situations, change creates anxieties. There is fear of the unknown and the loss of the well known. Even when the past has been difficult, it is hard to give up. Dramatic transitions due to the death or illness or impropriety of leaders jolt those whose lives are intimately connected with organizations. Sustained failure and conflict create their own form of internal havoc and employees and volunteers who show the symptoms of traumatic stress disorders: general anxiety, overreaction to small events that trigger old fears, and inappropriately dramatic behavior.

There are two requirements for managing these stressful situations. First, there is a need for strong, consistent management and clear communication to eliminate the fear of strange things happening behind closed doors. During extended transitions, people always fear that their interests won't be protected. They fear that deals will be struck behind their backs or that chaos will reign. All of this can be addressed by solid, transparent management by teams composed of boards of directors and senior staff or a wise and experienced interim director. There should be teams to search for the new CEO and to manage the everyday operations of the organization. Both need to communicate regularly on both progress and difficulties to reassure, to maintain credibility, and to sustain an optimistic view.

If distress is high and trust is low among stakeholders, it is important to create a transition management process that is more inclusive, one that provides a regular forum for people to ask questions, express their concerns, and share their fears. This kind of openness may not come naturally to the people who serve on boards. They may be more accustomed to keeping financial information private—the domain of the inner few. They are likely to believe that the search process will be best served by minimizing complications. They may fear that clients and community members can't handle too much information. Although all of these concerns may be well grounded, a well-managed, inclusive process will answer them. If communication is clear and as assuring as the facts will bear, both distress and disorganization will decrease instead of escalate. Equally important, the inclusiveness of transition management will have strengthened and broadened a constituency to support the incoming leader.

Five chapters, 7 through 11, are dedicated to professionalizing transition management to provide order and clarity during this potentially difficult period.

Developmental Crises

There is a third type of crisis to consider: the developmental crisis. Organizations, like people, pass through recognizable stages: for example, from start-up, grass roots, or entrepreneurial to managerial and on to a synthesis of entrepreneurial and managerial. Transitions from one stage to another are rarely smooth. Often the developmental shift is both signaled and facilitated by the introduction of new leadership. To protect their investment venture, capitalists traditionally maintain at least

51 percent of board votes so they can replace the founding entrepreneur with an experienced manager at a strategic time. This is a conscious way to facilitate a developmental transition.

This kind of planned transition is rare among nonprofits, but it points the way. The core idea is this: to treat transitions not as a way to repair the old but instead as the main instrument for moving an organization into its next, more effective stage of development.

At their most productive, developmental crises bring forward the best of who we are and help us let go of what is no longer appropriate. The resolution of the adolescent crisis, for example, requires young people to let go of much that had been charming in childhood to bring into the foreground more of the independent, reasonable decision maker. When adolescents cannot move through this developmental conundrum, they remain mired in internal conflict, unnervingly shifting between childish and counter-dependent modes of behavior. Organizations caught in the vicious cycle of poor transition management are like adolescents caught in cartoonish expressions of themselves—and remaining stagnant at best.

The implications of the developmental view are twofold. We will ask our transition team to determine what the next developmental stage will be and what kind of leadership will best move them in that direction. Second, we will ask the team to support the new leader through the stages of development that each leader goes through.

As our prior mention of a honeymoon period suggests, we also believe that the quality of leadership and the relationship between volunteer and professional leaders move through recognizable stages. Leadership tenure usually begins with a sense of great, often exaggerated promise. As reality sets in, there is a tendency toward disillusionment. And, if people don't act precipitously on their sense of disillusionment, a third stage emerges in which good and bad qualities of leadership, together, prove acceptable. Each stage presents its own challenges. Managing well through all these stages represents the best chance of sustained and effective organizational leadership. Chapter 12, "Succession Planning," presents a model for managing the (developmental) cycle of leadership.

An Expanded Sense of Time

Earlier, we criticized the hurried, narrow style of transition management that we have found too common to nonprofits. This approach almost makes sense if you think of transitions as beginning with the departure of the old and ending with the entry of the new leader. Within that time frame, there is a straightforward task to be done, and it is best to do it as expeditiously as possible.

If, however, you believe that the build-up to the departure holds important information for the selection of the new leader, and if you believe that positioning the new leader well counts, you must consider a much lengthier transition process. We think of transitions as beginning with the first strong signs of trouble with the current CEO or, in the case of effective leaders, the first strong signs that they will leave. The period does not end when the new leader is hired but when the new leader has her feet on the ground—that is, when the new leader can act effectively as a leader. The build-up to departure may take years, and it certainly tends to span many months. The period between the announced departure and the introduction of the new leader can vary. It can be brief—a few months—but counting on that is wishful thinking. It is more likely to be 6 to 9 months, especially when the process is deliberate and thoughtful. And it can be up to 18 months, when, for instance, the selection process brings out schisms among the board, leading to indecision.

We are now talking about a period that encompasses between one and three years—the same length of time as the tenure of many, current nonprofit leaders.

By expanding the time understood to be under transition management, we can expand the scope of the management. Instead of focusing almost exclusively on the selection of the new CEO, the management team can prepare the organization so that the new leader can succeed. If, for example, one faction in a divided board had clashed with a CEO, we know that we must bring the board together on key issues—before hiring a new leader. If the board had served as a rubber stamp for a founder, an arrangement that had worked when the organization was small enough to work with the founder's skills but failed to hold the leader accountable when the organization grew larger and more complex, it is vital to restructure the board. It should be more demanding, requiring more information to evaluate movement toward objectives. And, for this new stage of organizational development, the board should create a little distance between itself and the new leader to maintain perspective.

On either end of this spectrum of time—one and three years—we see an extended period in which the board of directors must play an active governing role and, for periods, an active role in the management of the organization. With the expanded time comes the possibility—the necessity—of managing a much more extensive set of challenges.

As crisis managers, for example, the board must establish a reassuring solidity, beginning with the notice of the CEO's departure and ending with the grounding of the new one; and the board must communicate to all stakeholders that this is what the team intends. To communicate about such an extensive process, the transition team must imagine where the organization is going and by what strategic means it will get there. Then the team must find and hire a leader capable of realizing the strategic plan, charge the new leader with this challenge, and help position her to succeed.

An Expanded Sense of Who and What Must Be Transitioned

Leaders work in context: organizations, communities, financial markets, and so on. So must boards and transition teams. To manage well, boards need to understand their organizations much more deeply than they ordinarily do. They must ask, for example, what came before the departure? What led to contentious or drawn-out departures? Or, if it is a long-standing and much-loved CEO, what kind of culture was built around her? How did people prepare, both formally and informally, for her departure? What kind of expectations, positive and negative, were built in anticipation of the new leader? Transition teams need to ask about the market the new leader will enter: for example, the market for clients, and the competition; the market for funding, and the competition; the market for employees, and the competition. It is within these markets that the new leader will succeed or fail.

There are many dimensions of organizational culture, structure, and processes that provide valuable information about what kind of leadership will succeed, and it is up to the transition team to learn about them—and to be honest with themselves. It's a terrible mistake, for example, to bring an ambitious leader into an organization with potentially ambitious goals when it is clear the resources will be scarce for the next few years. It might be equally disastrous to bring an African American leader into an organization consisting primarily of Latino staff in a Latino community that feels itself at odds with the neighboring African American community. There has to be an alignment among the board's ambitions, its willingness and capacity to raise funds, the stated objectives of an organization, the community it serves, and the type of leadership it seeks.

Self-reflection is the byword here. To select a leader well, organizations have to understand themselves. What is its organizational culture, for example? Let's suppose it had been built around a charismatic founder who made almost all important decisions and to whom people, out of respect and admiration, ceded that right. Let's say that this worked out well for almost ten years, until she left. At that point, believing no one could replace her and that her major lieutenants could collectively lead, a kind of plutocracy was established. This leadership group, however, never gained a full legitimacy. Many other staff people didn't accept their leadership and felt unfairly excluded from the decision-making process. In effect, the group never achieved the legitimacy needed to lead an organization. The absence of leadership legitimacy contributed to both conflicts and a lack of productivity that had brought the organization to a perilous financial position.

Perhaps the organization could move further along toward a participatory culture in which responsibility and decision making were even more broadly shared. If the transition team believed that this would work well for the staff, and if the board believed it could hold even a broad-based leadership accountable, it would seek a leader able to work in this mode. If, on the other hand, the board believed that the culture still yearned for and performed best under a more authoritative leader, it might hire one who could also be extremely respectful and consultative with staff, thus achieving a synthesis of the first two forms of leadership.

The greatest opportunity of leadership transition is to hire a leader who is both aligned with the organizational culture *and* seemingly able to perform superbly in the service of the organization's objectives. This may seem obvious, but it is not so obvious to many search processes, which emphasize either cultural fit or goal alignment to the exclusion of the other.

A Renewed Focus on Objectives

Most importantly, we want to know how well organizations under the departing leadership were achieving their objectives, how and why they were succeeding, and how and why they were coming up short. Unless and until we have a hypothesis about what worked in the old leadership, we can't accurately determine what we need in the new. This is critical. All too often, boards evaluate CEOs based on their personality and forget to focus on objectives. If the organization is moving effectively toward achieving objectives, the leader is succeeding, even if she doesn't look good in doing so. Shifting board and public perception away from show and charisma to results would be of immense value. It would be crucial to the selection of new leadership, crucial to communications to stakeholders about the selections, and crucial to the way the new leader is supported during the first year.

Many a CEO have fallen to the style and personality axe. It is said that they don't fit. They are too autocratic, too democratic, too assimilated, too ethnic—whatever. When boards focus on these and other process variables—the CEO doesn't know how to manage teams or women or the younger generation—they often lose sight of their own objectives. The leadership transition process represents a moment when boards can and, in fact, must refocus on their objectives: to clarify and affirm them; to keep them front and center during the search and selection process; to hire the leader who is most able to achieve them. That's why Chapters 3 and 4 provide guidelines for the development or review of mission, vision, and strategy in organizations.

We believe that the fundamental challenge of leadership is to align all organizational resources in the service of its mission, vision, and strategies. Hiring a new leader without some clarity about strategic direction is asking him to fly blind. It is asking for the disaster that usually takes place a little after the initial honeymoon stage in the form of a struggle between the disillusioned board and floundering CEO. Developing at least a rough agenda for the organization's future to serve as the new leader's guide star is a vital part of successful transitions.

Back to crisis management. The uncertainty of the moment lends itself to a clarification of purpose. The opportunity to clarify one's mission and strategy and to hire primarily based on the new leader's ability to realize them is the principle advantage of leadership transition. The opportunity to refocus the organization on objectives, even before the selection of a new leader, presents an opportunity of almost equal magnitude.

The Centrality of Boards During Transitions

During leadership transitions, the challenge and the opportunity for boards of directors is to figure out who they must be to guide and constrain the kind of leader best suited for the upcoming years. There, in fact, is the irony. Although the board is supposedly focused on the search and selection of a new CEO, it cannot perform this job well unless the members can perform in an optimal way. So they must focus equally on rules and activities of good governance. They must focus, first, on themselves.

We know that boards conduct searches, but most of us don't exactly see the implications of that observation: Boards of directors govern. Essentially, governance consists of three activities: fiduciary responsibility, setting policy, and hiring and managing the CEO. Boards have these responsibilities all the time, but during transitions, their governance is more visible. Strengths and weaknesses show themselves more vividly, which is not all bad. It provides the opportunity for self-reflection.

One of the key challenges during the transition period is self-governance: How can the board improve itself? How can it prepare itself to govern better during the tenure of the incoming CEO?

Improved functioning is particularly important during the first six months to a year of the new CEO's tenure: finding the right balance between guidance and giving the new leader room to lead is key. Often a separate "kitchen cabinet" is helpful to keep mission, vision, and strategy front and center; to encourage the CEO to find her own way of realizing organizational objectives; to connect the new CEO to staff, funders, and community leaders; and if a geographic move is required, to introduce the leader and her family to the community.

Because poor board functioning is often a primary cause of leadership turnover, board transformation must be a primary goal of leadership transition. Before selecting a CEO, boards should evaluate themselves as individuals and as a collective entity. They should determine what kind of board will be most effective during the next stage of organizational development. It isn't only CEOs who must shift focus from stage to stage. Founding boards, often with their loose structure and processes and willingness to roll up their sleeves, are different from more mature boards that operate within more formal rules and structures and with different core functions in mind.

Imagine, for example, a young organization that is primarily supported by foundation grants. Here, fundraising is largely a staff function. As the organization grows, it determines that public funding and individual donor contributions are necessary. The staff doesn't have sufficient connections with individual philanthropists and government figures. Now the board must take on a major role in fundraising. But a founding board may also lack connections. The composition of the board must change for the organization to continue growing. Simultaneously, the transition team must be looking into a CEO and a board that can dedicate skillful attention to public funding and to building an individual donor base.

The Importance of the Board-CEO Partnership

Organizations are built on relationships as much as they are on individuals. The effectiveness of the CEO depends very much on her relationships with the financial officer, program and development directors, and the board president. In that sense, the history of these relationships provides critical information about the selection and integration of new leaders. This is particularly true of the board-CEO relationship, which our research suggests is the key to the retention and success of organizational leadership.

CEOs come and go—as they should. So, too, board presidents and board members. As a result, the partnerships between boards and CEOs may shift several times during the tenure of a single CEO. As each new board president comes into the picture—often every two, three, or four years—new relationships have to be established. Each new board president tends to set his own tone rather than seek continuity with the past and to act as though he, not the whole board, is in charge. As he does so, the CEO has to adjust—or, as often happens, appear to adjust. When the reality behind appearances comes clear, differences between board presidents and CEOs have to be reconciled.

Over the long haul, these periods of reconciliation and compromise appear with some regularity. Boards have to assess their ability to manage these regular, predictable changes. They need to ask themselves whether they have developed the habit of candid, open conversation and conflict resolution.

Even more important, boards must learn to exercise self-discipline. When a board member, for example, speaks to the CEO, who is he representing? Has the president checked his board to determine support—or lack of support—for positions he takes with the CEO? Can a board succeed in maintaining more continuity than discontinuity from one president to the next? Without doing so, it may confuse, alienate, and anger the CEO and set the ground for conflict. This is one of the key subjects we address in Chapter 5, "Good Governance."

Managing the Cycle of Leadership

We might have called our book *Board Management* because much of it focuses on the role that boards play in setting direction, managing CEOs, and holding whole organizations accountable to achieving their objectives. We have focused on a specific period in the life of the board—the transition from one CEO to another—but the job doesn't start and stop there. The best way for boards to minimize unwanted leadership turnover is to manage well throughout what we call the cycle of leadership. Chapter 12 describes this process in full.

Here's what we mean by managing the whole cycle. We have identified a regular sequence of challenges faced by all leaders and board-director partnerships. Each stage in the sequence presents particular challenges. When these challenges are met proactively and rigorously, continuity and quality are sustained.

During the transition period, we highlight four activities:

- Maintain a well-functioning transition team.
- Create job descriptions and strategic plans.
- Sustain honest, positive communication with all stakeholders.
- Conduct a highly competent professional search and selection process.

Following the selection of a new CEO, there are four key challenges:

- Introduce the new leader with expectations in proportion.
- Position the leader with key stakeholders.
- Charge the new person with a clear sense of objectives and strategies—"Manage these well and we will consider you a success."
- Disband the transition team, leaving the CEO fully in charge of the organization's operations.

A period of relative stability should follow assuming the introduction goes well. When leadership is stable and at least relatively effective, boards and CEOs relax; they often don't want to think about the future. But this may be the most important phase of the cycle. Here are the particular management challenges during this phase:

- **Assessment—**Make sure that the organization is on track: true to its mission and strategies; operationally effective; financially sound; functioning with up-to-date systems, providing adequate support to the CEO; and nurturing the partnership between the board and the CEO. The assessment can be managed internally or with the assistance of a consultant.
- **Strategic planning—**Every several years, the organizational assessment should be part of a strategic planning process that clarifies the mission, vision, and strategies and realigns the organization in the service of those core values. The plan's implementation also serves as the essential job description for current and future leaders.
- **Annual performance review—**This is for both the CEO and the board president (and regularly for the full board).
- **Succession planning—**This is for both emergencies and regular leadership transition.

Because you cannot guarantee stability and success, it helps to plan for times of difficulty. These times will crop up as regularly as others. To prepare, we suggest two steps. First, develop the habit of conversation and problem-solving between the CEO and the board. Second, identify an outsider—a trusted community member or a professional consultant—who is familiar with the organization and ready to help when regular problem-solving approaches fail.

Ultimately there will be another decision by the CEO to depart since every leader reaches an end to her tenure. To anticipate expected and unexpected departures, it helps to prepare a transition plan, identify a potential transition team, and build a communication plan.

The transition of the board president is a similar process. Because board presidents come and go with regularity, it is vital to create a plan for volunteer leadership transitions. The major challenges to address include these:

- **Clarifying the mission, objectives, and strategies**—In effect, the board president is charged with monitoring the CEO's implementation of strategy, and a new president must be on board with the existing plan.
- **Training or orienting the new president**—For example, there may be a six-month period of shadowing the current president.
- **Clarifying roles and expectations between the CEO and the president**—Whether it is the CEO or the president who is new to this partnership, there is a period of coming to agreement on how the work and relationship will proceed.
- **Nurturing the president-CEO relationship**—The incoming president must be charged with doing this well.

It is our hope that the following chapters will make these difficult but vital tasks more easily accomplished for the good of each organization, the nonprofit sector, and those it serves.

Endnotes

1 A survey of 2,200 executive directors, commissioned by the Annie E. Casey Foundation, found that 73 percent of the people who now lead charities are members of the baby boom generation—those born from 1946 to 1964. Also, 23 percent of the nonprofit leaders said they would leave their jobs before 2007, and another 42 percent said they expected to leave their positions by 2009.

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