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PRACTICAL WISDOM FOR GRANTMAKERS

EXECUTIVE TRANSITIONS

GRANT MAKERS AND NONPROFIT LEADERSHIP CHANGE

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executive transitions

grant makers and nonprofit leadership change

SPECIAL FEATURES

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IN THIS GUIDE,
grant makers discuss their experiences with nonprofit leadership change in grantee organizations and the larger fields or regions where they work. It's not always easy to be helpful without being intrusive, but it can be done. In the best cases, a transition is a moment when an organization can strengthen its capacity, expand its vision, and plan for future stability and growth.

This guide was written by Angela Bonavoglia and Anne Mackinnon. It is part of the GrantCraft series.

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Publications and videos in this series are not meant to give instructions or prescribe solutions; rather, they are intended to spark ideas, stimulate discussion, and suggest possibilities. Comments about this guide or other GrantCraft materials may be sent to Jan Jaffe, project leader, at j.jaffe@grantcraft.org.

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THE GRANT MAKER'S ROLE IN LEADERSHIP TRANSITIONS

Changes in leadership happen in just about every nonprofit organization. Some transitions are foreseen, while others arise unexpectedly. Some proceed smoothly and successfully, while others are rocky and even traumatic. In any case, a leadership change has profound implications for an organization, its staff, and its ability to carry out its mission.

Grant makers regularly witness executive transitions and, because good leadership is crucial to an organization's success, may even decide to get involved — especially if the organization is a core grantee or operates in a field or region that's important to the foundation's work. Some grant makers go further and support more systemic efforts to assist with nonprofit leadership successions.

What's the best stance for a grant maker to take toward nonprofit leadership change? Conversations with experienced grant makers reveal five general approaches:

- **Addressing leadership transitions systematically through a foundation-wide program.** A few foundations see leadership succession as an issue affecting so many of their grantees that they choose to approach it systemically. Some develop proactive programs, researching and acting in anticipation of a projected leadership crisis in their region or field or offering support for advance succession planning as a matter of course to their grantees. Others create programs that allow them to react helpfully when transitions occur in grantee organizations, often by developing expertise in transition planning within their own management staff.

  Some foundations with formal programs offer services selectively, focusing their resources on grantees that take a strategic approach to succession and view it as a capacity-building moment. One foundation, for example, invites grantees to apply for transition assistance through a competitive process that includes spelling out how the board, current CEO, and successor will be involved. The foundation also requires a brief proposal from a consultant — identified by the organization, sometimes with help from the foundation — who agrees to help with the transition.

- **Strategically approaching the grantees with whom you work**. Some grant makers choose to be proactive with grantees critical to their field or community. For example, a grant maker at a large national foundation saw that the first generation of leaders in a relatively new and fragile field were beginning to reach their fifties and sixties. She asked herself what she could do to help them think through their future transitions and encourage leadership development within their organizations. She hired consultants to provide support services to long-time CEOs who wanted them and made a point of raising the issue in discussions with upcoming leaders and within the field as a whole.

Her approach, she acknowledged, carries some significant risks. The main one is that her grantees might think she's trying to get them to leave, which is emphatically not her goal. As another grant maker argued, conversations about leadership succession should convey the message that "you definitely appreciate their leadership and would continue to appreciate their leadership however long they decide to stay," but that you hope they will try to be clear, with themselves and others, about their plans.

- **Lending support when asked.** Some grant makers simply respond to requests for help with leadership succession when asked. The executive director of a foundation that focuses on economic and social justice recalled the case of a long-time executive director who came to her after he suffered a serious illness — his "wake-up call." Worried that the organization was too dependent on him, he asked for help in thinking through how to move out of his job in the next year or two. His request gave her an opening to offer ideas for bringing his board of directors into the process.

- **Getting involved when there's a problem.** When the board of a community housing agency terminated its CEO under what appeared to be unfair circumstances, one of the organization's funders grew concerned. The firing had caused great distress in the community and much bad publicity. Moreover, the grant maker heard reports that some board members may have been swayed in their action by conflicts of interest.

When the board asked the foundation to help fund the search for a new director, the grant maker took a draconian step: after careful consideration and with the endorsement of other funders, she responded that the foundation would help only if all members of the board agreed to step down. "We told them, 'You've got to trust us that we have similar goals,'" she recalled, and apparently the board members did; they accepted the grant and the conditions. An advisory committee was formed, composed of some former board members, community leaders, and funders. That committee implemented a process to identify a new executive, hired a consultant as interim CEO, and worked with community leaders to fashion a new

WHERE THE EXAMPLES COME FROM

This guide was developed through interviews and email exchanges with nearly three dozen grant makers from large, small, community, family, local, national, and international foundations; a federated funding program; funders' associations; consultants; and grantees whose organizations have been through transitions. We are grateful for their candid comments about this often sensitive subject.

board, which included some original members.

By way of defending her aggressive approach, the grant maker noted that the organization was a major service provider in the area and critical to the foundation's mission. "We could not afford to let this agency go out of business," she said. Moreover, she contended, "If a board is not acting on its fiduciary responsibility to insure that an organization has the best possible leadership, then part of our job is to try to get that board to behave more responsibly."

- **Keeping involvement to a minimum.** Some program officers, because of the nature of their grant making, rarely need to address the issue of leadership succession. A program officer at a foundation that supports health research, for example, explained that most of her grants go to scholars or faculty members: her focus is on the researcher, not the organization. Still, her approach was tested when she made a small grant to "a tiny advocacy group" to produce a manual and wound up facing the consequences of a messy transition. The agency missed its deadline for completing the manual when its executive director retired, then again when the new director did not work out — not an uncommon scenario. "My only role was to be patient," said the program officer, "not to get agitated and difficult" when the manual was late.

Most grant makers maintained that providing significant support for a leadership transition is generally most appropriate and appreciated when the grantee organization has a strong relationship with the foundation, especially when the foundation has made a major commitment to supporting its work.

Foundation-Sponsored Resources

Some foundations that invest in systematic executive transition and leadership succession programs make materials available on the web. Here's a small selection:

Annie E. Casey Foundation — www.aecf.org. A core supporter of the leadership succession field, the Annie E. Casey Foundation offers reports and guides on topics that come up again and again, such as hiring an interim leader, the departure of a founding CEO, or generational change in leadership.

The Hyams Foundation, Inc. — www.hyamsfoundation.org. The foundation's website includes *Executive Director Tenure and Transition in Southern New England*, the January 2004 final report of the New England Executive Transition Partnership, a consortium of funders in Connecticut, Massachusetts, and Rhode Island.

Illinois Arts Alliance Foundation — www.artsalliance.org. Among the resources available on this website is a toolkit on succession planning, with guidelines, checklists, best practices, and frequently asked questions.

Grant makers may also want to review the many helpful materials available from the major nonprofit executive transition management consultancies, CompassPoint Nonprofit Services (www.compasspoint.org) and TransitionGuides (www.transitionguides.com).

Assisting Organizations in Transition: Money and More

A few years ago, a foundation that focuses on child welfare reform began to get word that several founding and long-time CEOs of "mission critical" grantee organizations were thinking of leaving their positions. As one grant maker confessed with some chagrin, rather than focusing on the needs of those organizations, "our first reaction was, 'Oh, no! What about us?'" The foundation's own work had been built on relationships with talented CEOs. What would become of its commitment without their leadership?

After a little reflection, the grant maker decided to meet with some long-term executives to find out more about the challenges they were facing as they moved toward departure from their jobs. One CEO, for 20 years head of a training center for community leaders and now about to retire, said that he had started to see funders hesitate to commit to their usual grants to his organization. He called it the "worst possible response" to an outgoing CEO. After hearing the story, the grant maker considered what he was describing and had to admit that "we were right in there with everybody else," planning to see who the new CEO would be before promising support.

Realizing how damaging that response could be, the foundation began to alter its behavior, making the grants it had always made to organizations as they faced leadership transitions and advising other funders to do the same. The grant maker reflected on her changed perspective: "We've always tended to take a wait-and-see position when there's an incoming executive director," she observed, "but as soon as funds are withheld, it inhibits the new leader and the organization from showing what it can do. . . . My message to funders is to make the leap of faith. Assume that, whatever the organization has been doing they will continue to do. You may decide a year later that that's not the case, but if all of us withhold our funding, there isn't a chance."

Besides sustaining its funding, what can a foundation do to help a valued organization through a leadership transition? Grant makers endorsed several specific tactics: some involve money, but others do not.

- **Transition grants.** Transition grants can pay for advertising for a new leader, strategic planning, coaching, full transition consultancy services, or hiring a search firm. A transition grant can also be a bridge grant, over and above a funder's normal grant, to make up for the decline in funding that can accompany a transition. The cost of supporting a leadership transition can range from $1,500 or so for advertising to tens of thousands of dollars for consultant services or an executive search firm (which typically charge a third of the cost of the CEO's first-year salary). Several grant makers said, however, that they usually expect a nonprofit to cover the salary of an interim executive director from its own personnel budget.
- **Information and in-kind assistance.** "Because our resources are limited, we're unable to provide grant assistance for transition work to every grantee organization," said a grant maker at a community foundation that had recently invested in two transitions. But, she notes, "We're always interested in knowing

about upcoming transitions because there may be non-monetary assistance we can provide." For example, when a program officer hears about an upcoming transition, the foundation sends a packet of relevant materials to the organization's leadership, both board and staff. The foundation also uses its own publications and training programs to "continually pound the pavement, raising awareness" of the importance of effective transitions and the value of transition services.

- **Requests for key information.** A grant maker at a West Coast foundation explained that simply asking for a plan outlining the proposed timeline and steps in the transition process can be a helpful move: "If it takes weeks to get a plan, that's probably a sign that the board is not acting quickly to deal with the transition, especially if it was an unanticipated departure." A related idea is to ask grantees how they anticipate "communicating with outside stakeholders, including funders, during a transition. It looks really bad to the outside world when an organization goes 'radio silent' during a transition," she noted, but board members don't always recognize the value of "a demonstrated show of intentionality and planning from the board in the form of an official communication."

- **Succession planning.** Some funders urge their grantees to have in place a written leadership succession plan, covering both what would happen if the CEO needed to leave in an emergency and how the organization would handle a transition process. The plan should clarify the circumstances under which it would come into effect, along with key roles and responsibilities. One grant maker also urged the importance of encouraging a "culture inside the organization of knowledge transfer and distributing leadership away from a singular leader." This, she argued, "eases the organization's ability to endure a leadership change." A funder can help by "being clear that the foundation's relationship is with the organization, not just the director," and, more specifically, by "extending meeting invitations to more people than just the executive director, welcoming other staff at trainings and events, and supporting leadership development activities within the organization."

- **Funders' collaboratives.** Some foundations have formed funders' collaboratives to expand the availability of money and other resources to help organizations with leadership change. For example, one grant maker at a small community foundation leveraged her own interest in nonprofit leadership by getting peers at other local foundations to cosponsor a briefing on transition management for regional funders. In time, interested funders formed an advisory committee, raised more funds (peaking at $200,000), conducted research, and published a report on executive transitions in their region. Using an RFP process, they found a firm to take on the recruitment and training of transition consultants to serve local nonprofits. Today, area funders support a host of transition services through the firm and provide grants to organizations that want to hire consultants.

Making Common Cause with the Board

When a grant maker offers to assist with an executive transition, the recipient of that assistance is most likely to be the organization's board of directors. Past involvement probably focused on the executive director; now the focus is on helping the board take the organization through the transition in a thoughtful, responsible way. As a grant maker whose foundation offers dedicated transition services put it, "It's important to remember that the board is the client for this." Here are some thoughts and tips on negotiating the process.

Develop a relationship with board leaders in advance. It's not unusual for a grant maker to get to know an organization's board only when the departure of a CEO is imminent — and for good reason. Cultivating simultaneous relationships with the director and the board can be messy and "very hard to manage," one grant maker argued, potentially leading to confusion about roles and authority. Yet a few grant makers noted that they routinely build relationships with grantee board members. The executive director of one foundation explained that she has involved board members with considerable success: "Having a grant review process that engages the board and not just the staff is a way to build relationships. Then," she added, "you're more apt to have a board member call you and say, 'We're going through this transition and wanted you to know about it, or wanted to know if you had any thoughts.'"

Help familiarize boards with leadership succession resources. Funders can incorporate information about resources for supporting executive transitions into board training programs or publications. This, said grant makers, can pay dividends. One grant maker who offered such training recalled receiving a call from a board chair much later: "She said, 'I never thought I'd be calling you about this, but I remember you talked about executive transition at that session. I just heard that our executive director is leaving, and I don't know what to do.'"

Recognize that helping a board through an executive transition can be a long process. A grant maker with a community foundation recalled a meeting with the board chair of a grantee organization soon after the agency's CEO had abruptly resigned. The chair was "totally thrown" and desperate to replace the CEO immediately. The abrupt departure after nearly 15 years left ill feelings, low staff morale, a deficit that necessitated layoffs and reductions, and a practice of drawing down the endowment that could not be sustained. The program officer saw her job as reassuring the board chair that the organization could afford to take time to hire the right person and also do a thorough organizational assessment. The board eventually decided to hire an interim CEO, who created a plan to "stop the bleeding" and move the organization forward. At a retreat, the board and executive staff revisited the organization's mission and bylaws and launched a search for a new CEO. The organization paid the salary of the interim CEO, but the funder paid the majority of the cost of transition consulting services.

Recommend an analysis of the organization's finances. A grant maker can play a crucial role by helping an

"It's important to remember that the board is the client for this."

WHO SHOULD BE ON THE SEARCH COMMITTEE?

Grant makers and search firm representatives recommend the following guidelines for composing an effective executive search committee:

Definitely include:

- A capable and widely respected search committee chair
- A mix of current and future leaders of the board
- Board executive committee members
- Board members who increase the committee's ability to look widely for qualified candidates, within and beyond the usual networks

Perhaps include:

- A senior staff person: an uncommon practice; advisable only if staff participation will not constrain board participation and with the understanding that staff members will not participate in all discussions and that confidentiality must be maintained (regarding, for example, applicants' references).
- A funder: also uncommon; advisable only when a funder has a long-standing relationship with an organization, does not hinder honest communication, and is asked to join; or, when an organization in which a funder is deeply invested is coming undone and, again, the funder is asked to join.

Definitely do not include:

- The outgoing CEO: instead, invite the outgoing CEO to offer input on potential sources of candidates, challenges facing the organization, and skills that would be valuable in a new CEO — including skills different from their own.

organization arrive at a true picture of its financial stability and sustainability. As several grant makers reported, a careful examination not only of audits and budgets, but of outstanding bills, anticipated bills, debts, and credit — in a word, cashflow — often reveals that, as one funder put it, "a startling number of our grantees are living on the financial edge." One noted that this is especially the case among organizations led by founding or long-time executives, "charismatic leaders" who "somehow keep everything going."

Frequently, the grant maker observed, the board does not know how precarious the situation really is. In her experience, consultants may not understand either. And that means that the new CEO may well be blindsided when he or she arrives and delves into the financials. "This was a hard lesson for us to learn," says the funder, after a number of new CEOs came to her in horror, when they realized the true financial crisis facing the organization. To the grant maker, this meant educating consultants about the problem, concluding that "it's the job of the consultant now to dig way deeper."

As to how funders can help organizations avoid this kind of financial crisis, she urges funders to "get our grants out in as timely a way as possible." She also raises questions concerning the nonprofit's capacity to do good financial management, questions like: Do they have the financial systems they need — a good software package, an accounting firm on a retainer? What's the capacity of the people in the organization to manage the business? What do boards need to know and ask on a regular basis? "If we could answer all those questions," she adds, "we might then say, 'and what's the role of funders in providing that kind of support?'"

Encourage succession planning. Advocates of succession planning for CEOs and senior staff also advocate that boards develop succession plans. The idea is to have an organizational leadership team of staff and board in place, where people are trained to step in when leaders are pulled away in emergencies, but also to encourage recognition of the importance of building leadership capacity in order to successfully navigate both emergency and planned transitions. Upon learning that the executive director of a civil society organization in Africa was expecting to leave her position within two years but had not yet raised the topic with the board, a grant maker funded "the crafting of a succession policy paper to be discussed together by the CEO and the board."

Offer to hire a transition consultant or search firm. Paying for a consultant, one grant maker explained, can be a good way to support a transition while keeping an appropriate distance from the organization. "There's a lot of dirty laundry in any organization," she said. By using consultants, "we try to protect the organization from having the foundation know everything about them that we really don't need to know."

She begins by asking questions about what sort of help the grantee needs; she then describes what the foundation can offer. If the nonprofit wants a transition consultant, she can send them to a consulting organization that has a standing contract with the foundation; the client negotiates from there. After the consultant is hired, the grant maker checks in periodically with the grantee about general outcomes. At the end, there is an informal exit interview, at which the funder asks the grantee what might have been done better.

The funder's role, she stressed, is not hands-on; that's where the consultant comes in. Often, the relationship between the consultant and the grantee is confidential, and the grantee knows upfront what information the consultant will give to the foundation. The consultant checks in with the funder periodically, giving the funder aggregate data about services provided under the contract (how many transitions, what sort of problems have arisen), not details of their work with particular grantees.

Another funder argued that "there is a kind of objectivity and wisdom and experience that the consultant brings" — not to mention "getting the board to focus, keeping them on task, managing, just doing the work is a lot for an organization to handle." A consultant can also improve the process by helping an organization use the transition strategically toward ends such as diversifying its leadership, bringing in a new generation of leadership, reaching new constituencies, or increasing the capacity of its senior staff.

But he, too, stressed the remove at which the funder should work in these situations. "We're always crystal clear that the consultant works for the organization. And the organization picks the consultant. While I do sign off on the consultant during the final

WHEN A BOARD MEMBER CALLS FOR ADVICE: TIPS ON BEING HELPFUL WITHOUT BEING INTRUSIVE

- **Pull together and share resources on the latest executive transition and leadership succession theory and practice, and the services available.**
- **Provide contact information for other nonprofits that have undergone successful executive transitions.**
- **If the CEO is leaving under circumstances that could pose legal problems, assist the board chair in seeking appropriate legal help.**
- **If the board needs advice on different exit strategies or severance options for the outgoing CEO, assist the chair in locating human resources assistance.**
- **Help the board chair avoid the temptation to make a hasty new hire; explain that organizations sometimes hire interim leaders.**
- **State your commitment to continue to provide support, if that is your foundation's policy.**
- **Explain how to apply for transition-related funding, if your foundation provides that assistance.**
- **Advise an examination of the financial situation, particularly cashflow, as well as financial systems and personnel.**
- **Encourage strategic thinking about an external communications plan, covering what needs to be said about the transition, to whom, and by whom.**

“We’re always crystal clear that the consultant works for the organization.”

stages of the grant approval process, I’ve never told an organization that they couldn’t use someone, or that they needed to use someone else rather than the person they chose.“

As to who actually writes the check, a grantee can use a grant from the foundation to pay the consultant directly; get services from a consulting agency that has been paid by the foundation to provide transition services to its grantees; or work with a consultant paid directly by the funder. Some called the last option less than ideal: If the funder pays the consultant, explained a transition consultant, “then the nonprofit treats me as the funder, and they acquiesce to whatever I say.”

Several types of consultants are routinely involved in helping nonprofits navigate the waters of executive transitions, including executive transition consultants (see the box on page 11 for more information) and search firms.

Search firms recruit, screen, reference, and interview candidates, but they may also go beyond those basics. A search firm can insure that the search committee is strategically composed and well staffed, that it has the authorization of the board, and that the board has defined its objectives for the new executive. The firm can help interview stakeholders, including funders and staff, and provide valuable, anonymous feedback to the search committee. One funder suggested that, by supporting an executive search, her foundation raised the profile and increased the credibility of the nonprofit organization and the search itself among community leaders. Those developments, in turn, might help the board resist the temptation to settle for a convenient candidate rather than more actively pursue better choices.

Executive Transition Management: "Prepare, Pivot, Thrive"

Executive transition management is a structured consultancy service for nonprofits managing changes in their executive leadership. Foundations played a major role in developing the model and have subsidized the growth of the field by making grants that enable nonprofits to hire transition consultants, supporting training for nonprofit consultants in the model, and forming funders' collaboratives to develop local and regional transition management services — done so far in California, Maryland, New England, New York City, and Washington, D.C. Funders have also hosted workshops, documented the model, and disseminated best practices.

The executive transition management model depends on trained consultants who work with nonprofits during an executive transition. It provides "a language, discipline, and way of practice around leadership transition," explained Tom Adams of TransitionGuides, one of its major developers. Created, he said, "to broaden thinking beyond 'just the search,'" the approach helps organizations "embrace the entire departure-recruitment-installation process." Its motto, "prepare, pivot, thrive," sums up its view of leadership transition as a "pivotal moment, enabling an organization to change direction, maintain momentum, and strengthen its capacity."

Executive transition management services support organizations through a three-stage process:

Stage One: Planning for leadership transition. At this stage, the focus is on helping the current CEO decide how to leave; strengthening the board's capacity to manage the transition; and clarifying the organization's strategic direction by conducting an assessment of where the organization has been, where it is headed, and the leadership required to get it there.

Stage Two: Search and selection. Here, the focus is on recruitment, the search, and leader selection, as well as continued strengthening of particular areas of the organization's infrastructure to smooth the way for the new executive.

Stage Three: Post-hire launch and support. The focus from this point is on the "successful launch of the new executive and ongoing capacity building." This stage often involves the creation of a "social contract" between the new CEO and the board, spelling out roles, priorities, and procedures for the next 12 to 18 months.

A key element of the model is the availability of an interim executive director. An interim CEO is particularly helpful when an organization has to tackle serious problems in areas such as finance, fundraising, and personnel in order to attract a new CEO. The interim CEO can also help staff manage the feelings — from sadness to anger to despair — that can pervade an organization when its CEO departs.

In leadership succession circles, there's a difference between executive transition services and succession planning. Executive transition services are helpful when a CEO plans to leave at a specific time. Succession planning comes in two forms, neither tied to a particular date: emergency succession planning, which helps an organization figure out how to function when a CEO leaves in an emergency; and longer-range succession planning, designed to help an organization strengthen and broaden its leadership capability in preparation for a future transition. Some organizations prepare in advance and have both types of succession plans in place.

For more information on the executive transition management model and available services, see the websites of the two leading national providers, TransitionGuides (www.transitionguides.com) and CompassPoint Nonprofit Services (www.compasspoint.org). The websites offer a wide range of case studies, tips, survey findings, sample transition plans, and other valuable materials.

Supporting Exiting and Incoming CEOs

Before, during, and after a transition process, a grant maker can support a grantee organization by helping its departing and arriving leaders negotiate that process with confidence.

SAYING GOODBYE TO AN EXITING CEO

A grant maker's collaboration with a departing executive is based in the relationship that preceded it; therefore, for better or worse, it will probably share the particular strengths and weaknesses of what came before. Yet transitions also raise a fairly predictable set of common issues — issues that grant makers can anticipate and ease, thereby increasing the chances of maintaining a strong working partnership through the CEO's departure. Toward that end, grant makers offered several pieces of advice.

Make departures a normal part of the conversation. A grant maker at a large family foundation recalled the case of a director of a youth organization who knew she would be leaving when she applied for a grant renewal but said nothing until the funding was assured. The CEO then came to the foundation and asked for help. The grant maker realized that the foundation could have made the conversation easier by integrating it into the grant-making process. "If somebody is in a position for 20 years, and they're in their late fifties, early sixties, it's important to just bring the topic up, to normalize asking about it," explained the program officer. Others said that succession planning should be "normalized" for executives of any age or tenure. A consultant who has helped with many transitions suggested that "succession planning should be routinely addressed as part of strategic planning, just like facility questions or fundraising strategies." Another tip from a long-time grant maker: If you want to know if an executive director is thinking about leaving, ask about it in person rather than relying solely on narrative and financial reports.

Recognize and respond to CEOs' concerns. Grant makers are quick to acknowledge that grantee organizations, and the larger nonprofit sector, owe successful CEOs — especially founding or long-time CEOs — a debt of gratitude. Yet outgoing CEOs often wrestle with serious problems: from insufficient retirement funds to limited or no job opportunities; from isolation from former peers to fear of losing one's identity; from concern for the organization's future to lack of clarity about when to leave, how to leave, and what the options are. As one consultant noted, sometimes the problem is as simple as being "a bit clueless about what they might do next. They need clear models of folks who have moved on to different types of work in the nonprofit sector. . . . Most people do the ED job once and then move on to some other job related to nonprofits."

Encourage and support activities to honor a job well done. Several grant makers stressed the importance of recognizing the good job a CEO has done and seeing to it that outgoing leaders are publicly honored. One recalled a particularly effective idea for honoring a departing co-founder and long-time director: "The invitation to the send-off party included a notecard with a return, stamped envelope. We were invited to share some thoughts and kudos to the outgoing ED, which we could readily send to the organization even if we could not attend the event."

SUPPORTING CEOs' REFLECTION, NETWORKING, AND GROWTH

Some grant makers provide departing CEOs with opportunities for reflection and networking, along with services designed to help them deal with professional, social, personal, and financial issues. These include:

- **Retreats.** The director of a foundation-funded project to build the capacity of arts and cultural organizations established a retreat program for long-time CEOs. He began by sending CEOs a copy of a new study on leadership succession in the arts sector and inviting them to a day-long workshop on legacy and succession planning. Next, he personally invited 25 long-time and founding CEOs to a series of four, three-day retreats, spread over a nine-month period, to talk about "legacy" — defined broadly enough to include not only the CEO's personal legacy but also the condition of the institution. The dual focus, he reported, helped the CEOs map out future plans and inspired them to begin to transfer crucial knowledge (about donors, personnel, and more) from inside their own heads to their organizations' formal management systems.

- **Workshops.** Some grant makers offer CEOs a chance to participate in a Next Steps workshop, developed by TransitionGuides with the Annie E. Casey Foundation. The workshop brings together founders and long-time nonprofit executives who plan to leave their positions in the next one to six years. It provides a safe and confidential place to sort out the complex issues most leaders face in deciding when and how to leave. As part of a two-day, intensive session, the CEOs discuss their concerns, hear from experts on transition planning, have an opportunity to network with colleagues, get personal coaching on issues that affect transition decisions, and meet other CEOs who have successfully transitioned out of long-time positions.

- **Sabbaticals.** A sabbatical can benefit not only the CEO, but also the senior staff left to steer the organization in the CEO's absence. One foundation-supported sabbatical program addresses both constituencies by giving CEOs a three-month break from everyday activities — a break that includes some foreign travel, as a group, to enhance the CEOs' global perspective. They can do whatever they want when they return, says the sabbatical director, provided they "not get anywhere near work or their typical life." Meanwhile, each organization gets a $30,000 grant for training, consultants, bonuses, or other services and incentives to help executive staff take on new responsibilities. The goal, the program director explained, is to move the organization to a higher level of performance and distribute leadership skills more effectively, thus freeing the returning CEO to operate at a higher level, as well. The program is not intended to move long-time CEOs out of their positions in the near future, but to keep them working productively within their organizations.

- **Peer support groups.** Retreats, workshops, and sabbatical programs sometimes produce groups of CEOs who keep in touch and provide ongoing support to one another. The director of the retreat program described above has been pleased to see that "the head of the zoo, a $40 million organization, is getting together to talk about these issues with the director of a small modern dance company" — a development that might produce collaborative projects and strengthen the local nonprofit community. The sabbatical program has likewise stimulated long-term connections, among both CEOs and senior staff.

- **Coaching.** Grant makers may offer to pay for personal coaching for outgoing (as well as incoming) CEOs. One grant maker explained her reasoning: "An executive director can really hamper the capability of a future director by not doing a thoughtful job of wrapping up," she said. "The interim or new executive then gets caught cleaning up messes or spending a lot of time doing administrative grunt work that could have been done better by the outgoing director." CEOs may need extra encouragement to get started with a coach, said another grant maker, because they may see coaching as "therapy." It sometimes helps, he reported, to suggest names of coaches, make introductions, or set up a first meeting.

“Be the first to fund the new CEO.”

WELCOMING THE NEW EXECUTIVE

If the transition process was handled well (and if the outgoing CEO left under good circumstances, the right replacement was promptly found, and the board and new executive are on the same page for the organization's future), the successor CEO starts out in a good position to succeed. Even when the reality is far short of that ideal, a grant maker can do a lot to smooth the period of adjustment.

Provide special funding. Special funding, in addition to the usual project or annual grant, can make it possible for a new CEO to hire a transition consultant or coach or to get specific help with strategic planning, organizational development, or board development. "Be the first to fund the new CEO," one grant maker suggested — a move that conveys confidence in the new leader.

Reach out to the board. After providing a transition grant to one nonprofit, staff members at a family foundation learned that the board had decided to forego a national search and promote an accomplished young woman from within, making her the organization's first executive director of color. "People would be paying attention," one grant makers recalled, perhaps giving her "extra scrutiny." The new CEO wanted help in filling the outgoing CEO's "very big shoes."

Considering it part of their due diligence, the grant maker and a foundation executive met with the board chair and the chair of the transition committee. They talked about how the board had arrived at the decision to hire internally, their expectations of the new CEO, and how they planned to support her. It was clear that the board had made a thoughtful hiring decision, based on meetings with stakeholders, a strategic review, and a commitment to greater involvement in community advocacy, which required that the new leader be a skilled organizer — which the incoming CEO was. The board members were receptive to the grant makers' visit and their concerns and decided to get coaching for the new CEO and encourage her to participate in a peer support group and a course for executive directors.

Encourage dialogue about leadership succession. A program officer commissioned a paper on leadership succession from a young CEO who had been groomed by his predecessor from his early days as an outreach worker to lead a major community-based organization. She featured the paper at a meeting for next-generation leaders of grantee and other nonprofit organizations. The paper opened up conversation about leadership succession and, through its later publication, raised the profile of the new CEO with funders and the nonprofit community.

Develop opportunities for peer support and education. Being an executive director can be a lonely position, said a former CEO who is now a program officer. New CEOs often benefit from getting together with peers in learning circles and participating in courses or institutes for new executive directors.

Pay attention to compensation. Reasonable pay scales, health benefits, retirement benefits, even help repaying college debt are important factors in attracting and retaining new leaders. A program officer who works on environmental issues regularly asks new CEOs what they make, why they're making that, and what the board's plans are for salary increases. "I know the mentality of community organizers who have turned executive directors," she says, having been one herself. "They are so intent on money for the community that they're not really thinking about what they need." She herself had to pay thousands of dollars for surgery when she was a CEO without medical insurance. "It's not a way to keep somebody in a job," she said. One regional grant makers' association recently spent several thousand dollars on a review of its own compensation and benefits package: "It was very informative to the board and consequently the staff," said the association's director, and "led to the development of guidelines for the future." He suggested that grant makers consider funding similar studies for grantee organizations.

Make it easy for the new CEO to ask for help. A grant maker at a large regional foundation told of a new CEO who took over the reins of a major social services organization for low-income urban families. Almost immediately, the new CEO was overwhelmed by the absence of a solid organizational structure; for example, the organization had no human resources manual and no system for reviewing employees' performance. When the new CEO met with the program officer to discuss a pending grant application, he shared his difficulties. "He needed help prioritizing the 50 things that all needed to be fixed yesterday," said the grant maker. After the conversation, the grant maker agreed to pay for coaching for the CEO, who eventually navigated the transition successfully.

Opening the Way for New Leaders

"Look at the big picture, ask where [you] want [your] field to be in fifteen years."

Some foundations have explored strategies to "broaden the base" of future leaders in fields they support. One international grant maker argued that funders need to "look at the big picture, ask where they want their field to be in fifteen years." They can then begin to ask which nonprofit organizations are needed to get there, and what kind of leadership those organizations will require. Grant makers, he argued, should be asking, "How do we strengthen institutions by broadening the pool from which leaders can emerge?"

Grant makers mentioned several examples of modest but promising strategies that foundations can use to help expand, strengthen, and diversify the rising generation of nonprofit leaders.

Identify local leaders and help develop their skills. A grant maker with a community foundation launched a six-session course for senior managers interested in becoming executive directors, the only such program at the time in her state. One of her aims was to begin to build diversity into the local workforce. The course enabled participants to discover if their interests, qualities, and skills were a good match for a nonprofit CEO job. To recruit a diverse class, the program officer conducted an assertive outreach campaign. She networked with nonprofit leaders, consultants, and other funders in order to encourage people of color to apply. In the end, a third of the class of 15 aspiring senior managers were people of color.

Look within communities being supported. Another grant maker encouraged her foundation to launch a program to identify and cultivate "resident leadership" in several communities they fund as a step toward "addressing racial, class and cultural disparities prevalent in the leadership field." The effort focuses on residents serving on school boards, civic committees, parent-teacher groups, and the like and aims to nurture their leadership interests and skills. A program officer at a community foundation has made explicit efforts to bring in "more people of color as donors and involve them in nonprofit work" — a move that could have implications for

AN IMPENDING LEADERSHIP DEFICIT?

A handful of studies have looked closely at the job and retirement expectations of today's generation of nonprofit executive leadership and found evidence that it won't be easy to meet tomorrow's needs. For example, a 2006 report by the Bridgespan Group reports that 64,000 new senior managers will be needed by the nonprofit sector over the next decade, roughly 2.4 times the number currently employed. Meanwhile, a national survey of nonprofit leaders, cosponsored by the Meyer Foundation and CompassPoint Nonprofit Services, found that three-quarters of current directors don't expect to be in their jobs five years from now. For the full reports, see:

- *The Nonprofit Sector's Leadership Deficit*, by Thomas J. Tierney. The Bridgespan Group, March 2006. www.bridgespangroup.org
- *Daring to Lead 2006*, cosponsored by the Meyer Foundation and CompassPoint Nonprofit Services. www.meyerfoundation.org

their future participation on nonprofit boards and staffs.

Help develop professional networks. At its president's behest, a community foundation started a network for African-American professionals. The local professional community, predominantly white, lacked support for African-American newcomers in business, nonprofits, and government. The grant maker who led the work reported that the network has really taken off; it has an active listserv and organizes welcome events for new leaders across sectors.

Build the leadership skills of senior managers, especially people of color and women. A sabbatical program that gives CEOs a break while also supporting the growth of executive staff has frequently been a diversification tool. In one case, a Haitian-American woman from the organization's senior staff became the interim leader while the Irish-American CEO went on sabbatical. The step "vaulted her to the next level of leadership," according to the director of the sabbatical program, making her a stronger candidate to succeed the CEO or to lead another organization.

Encourage diversity on grantee boards. "Board diversity is a huge factor in executive diversity," said one East Coast grant maker. "Not only do board members tend to circulate announcements within their own networks, but boards themselves are an important source of executive directors." Another added: "If the board lacks diversity, it won't be likely to look to people of color for leadership. And even if they do hire a person of color to be CEO, that person isn't likely to stay long if the board isn't committed to values of diversity and inclusion."

Encourage "stretch" assignments. One grant maker described a skills-building effort by the long-time leader of an advocacy group who decided to get more members of her staff out talking to the press, stressing "the organization, the organization, the organization." At the time, she went on, "the organization was branded through its association with [the CEO]. . . . Her name was in the paper, not the organization's name." It was not an easy transition, particularly for journalists, who wanted to continue interviewing the CEO, but staff members learned to step up to the challenge.

Pair upcoming leaders with established ones. Young leaders appreciate formal leadership training and graduate education, yet what they really want is coaching and strong mentoring. Recognizing this, some grant makers pair established leaders with upcoming leaders. A grant maker in Africa, for example, sought out emerging leaders in the new and controversial area of women's health and linked them with leaders of established organizations; if the emerging leaders managed to strengthen their organizations, he gave them multi-year grants to continue the process.

Recognize and validate the new generation of leaders. Younger leaders, from their twenties to their forties, often feel "invisible and undervalued by older leaders," said some grant makers. Sharing that feeling, a grant maker in his thirties said: "Do you know how demoralizing it is to sit in a room full of people in their fifties and sixties, talking on and on and on about how there are no new leaders, and they don't know what's going to happen when they

(LACK OF) DIVERSITY IN NONPROFIT LEADERSHIP

What do we know about the diversity of the current generation of nonprofit executive leadership? And, given that nonprofit staff are the likeliest source for new leaders, what do we know about the upcoming generation?

According to a 2004 survey, conducted by Managance with TransitionGuides, 84 percent of nonprofit CEOs are white, while only 10 percent are African-American, 4 percent are Hispanic or Latino, and .07 percent are Asian. Senior staff are only slightly more diverse than their CEOs: 15 percent of deputy directors are African-American, but otherwise the percentages are about the same.

It's also interesting to note that hiring patterns don't seem to have changed much in recent years. Younger executives are just as likely to be white as their older counterparts, and newly hired executives are only slightly more likely to be people of color.

The full report, *The 2004 Nonprofit Executive Leadership and Transitions Survey*, and a summary version are available at www.transitionguides.com.

retire?" Sometimes, he went on, "there's a perception among older executive directors that their kind of leadership is the only kind of leadership that's valid. There's room for lots of different types of leadership in the sector."

Take steps to develop and retain younger nonprofit staff. A few funders have begun to hold focus groups with nonprofit employees in their thirties to learn about their experiences and how to retain them. Others have created fellowship programs to encourage the growth of new potential leaders. A large private foundation, concerned about building a pipeline for future leaders in a specific field, human rights, created an ongoing fellowship program for emerging practitioners, with a focus on people of color. "While some funders may be reluctant to commit to the money it takes, the mentoring component of this program could be used in lots of settings to attract, keep, and help potential leaders grow," commented the administrator of the program. The Academy for Educational Development published an excellent report on this topic, *Mentoring the Next Generation of Nonprofit Leaders: A Practical Guide for Managers*, available at http://newvoices.aed.org.

Help nonprofits "throw the net wide." One grant maker paid a search consultant to help a nonprofit board diversify the pool of applicants to include more people of color to lead a large, urban community health center. Instead of seeking out candidates in the field — doctors or health administrators — they identified an attorney in private practice, someone with nonprofit board experience and a high profile in the local nonprofit community. They offered her the job, and she accepted. The story points to an important lesson: don't get stuck looking for successors in the usual places only, and don't rule out the for-profit sector.

What Grantees Wish Grant Makers Knew

New CEOs need some "breathing room." A transition is a time "when the new chief executive needs breathing room, to think about your vision, to spend enough time with your employees and with your principal stakeholders," explained a new CEO of a women's organization. "The best way to create breathing room is by easing the burden around meeting financial goals. There's nothing better for a chief executive to be able to tell their board than that they're raising money, and nothing better than for it to be so-called 'easy money' for general support, for transition, so you don't have to bend over backwards to make up some new reason to need it. You can say what the real reason is."

Special funding can help new CEOs back up words with actions. The new, young CEO of a regional community organizing project used a three-year, $30,000 transition grant to hire a consultant and a coach and to hold three special board meetings, two staff retreats, and three large membership meetings to talk about what people thought was going on, what was actually going on, and how to move forward. "When you have meetings like that and people feel like full participants, it creates a deeper sense of ownership in the organization," he said.

Even if there is no transition funding, continuing support is crucial. New CEOs of grantee organizations appeal to grant makers not to use annual support or project renewal grants "as a carrot or a stick." One noted that fundraising may fall off at the time of a transition, either because funders withhold annual grants or because no one is available to write and submit grant proposals or meet with funders. His advice: "The assumption should be this is an organization that we support, that is worthy of our support, and we're going to assume that you're going to be fine coming out of this."

Grantees appreciate personal, non-monetary gestures of support. New CEOs are grateful for calls, cards, and emails saying "congratulations, we're behind you, you're a great choice" — what one grantee called "unambiguous words." They appreciate efforts by funders to get to know them. It's nice, they said, to be invited to lunch or to have an informal conversation, especially if the grant maker doesn't "put you on the spot" by presuming a deeper knowledge of the organization than you yet have. They also appreciate funders' efforts to "credentialize" them — by holding a luncheon to introduce them to funders, for example, or making other gestures to "communicate that they are 100% behind this new leader."

The pace and output of a nonprofit's work may slow down during a transition. Despite everyone's best efforts not to let a transition affect an organization's work, it can. One new CEO explained that he hadn't understood "how time-consuming" the leadership transition process would be, or that it would demand that he spend so much time visiting funders, attending to the organization's public profile, or helping staff to assume new roles. One result, he said, was that he missed a foundation's reporting deadline. He also wishes he had been "less ambitious" in the goals he put forth in funding proposals; reasonable under other circumstances, they were daunting at the beginning of his tenure as CEO.

A little negativity goes a long way. New CEOs are sensitive to any sign of lack of support, and they know others will zero in on it, too. One grantee argued that "even just a little bit of negativity" can be damaging when people are wondering about the impact of a leadership succession. Soon after he was appointed, funders made numerous site visits to his organization; some were scheduled, but many were not. Although he understood that the funders needed reassurance, he also read their actions as concern about the stability of the organization, which put enormous extra pressure on him to articulate its well-being.

Leadership Succession Strategies at a Glance

GRANT MAKING

- Keep offering your usual support; don't adopt a wait-and-see attitude.
- Award transition grants, which can be used for a broad range of activities, from hiring consultants to coaching, strategic planning, cross-training, and retreats.
- Encourage and support consultancy services that help nonprofit organizations with transitions.
- Be the first foundation to say "yes" to a new leader with a grant.
- Commission research about current and upcoming leadership transitions in your community or field.

OTHER THAN GRANT MAKING

- Provide grantees with sample materials and other information about emergency or ongoing succession plans.
- Encourage the idea that a transition is an opportunity to increase diversity.
- Link outgoing CEOs with CEOs who have successfully left nonprofit positions.
- Assemble and distribute materials about transitions, tailored to the needs of CEOs and boards.
- Use the foundation's publications to highlight the topic of leadership succession.
- Help new leaders make connections in the community, including the funding community.
- Raise awareness of leadership succession in your ongoing routines and grant making practice.

WITH OTHER FUNDERS

- Convene a funders' forum on executive transitions and succession planning.
- Form a local or regional funders' collaborative to support leadership transitions.
- Work with the collaborative to develop an executive transition or leadership succession nonprofit consulting service in your community.
- Pool funds with other foundations to pay for transition services.

Ways to Use This Guide

- **With grantees:** Some grant makers provide information to grantees and other nonprofits facing leadership transitions. This guide could be included in a package of resources mailed out whenever you get word of an impending change. Or you might send it to a grantee who is thinking about succession planning.
- **With other funders:** This guide could be a starting point for discussion with other funders in your locality or field about the possibility of collaborating to support executive transitions or leadership development.
- **Within your foundation:** Use the guide with colleagues as a starting point for clarifying your views and policies on getting involved with leadership transitions in grantee organizations, developing a systemic approach to leadership change, or reaching out to other funders, service providers, and consultants. Share the guide with trustees to open up a discussion about the ways your foundation might support exiting and incoming leaders in the nonprofit sector.

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