

## EXECUTIVE LEADERSHIP

# PASSING THE BATON: LEADERSHIP TRANSITIONS

*With turnover among nonprofit leaders accelerating, the pressure is on boards of directors to plan for and effectively manage successful transitions.*

*By Laura Brehm, Senior Consultant*

**H**ave you noticed the number of open positions at the executive director or president/CEO level in nonprofits in your community? Have you been recruited for one of these senior positions? As one colleague recently observed, executives in the nonprofit sector are in “full employment mode,” as executive search firms scramble to produce competitive pools for the very top nonprofit positions.

These openings at the top are directly related to the Baby Boomers, who have been turning 65 over the last three years, with thousands more expected to reach retirement age in the next decade. In the higher education sector alone, two-thirds of university presidents are over 60 and approaching retirement. The same is true of many leaders across the spectrum of nonprofit organizations. Many have led nonprofits for 30-plus years, and some have dedicated their careers to just one or two organizations.

This is, perhaps, the last generation to have the opportunity or desire to view an employer as “one for life.” Today, executive employment contracts of only one to two years are common, with each side wary of making a long-term commitment to the other. This hesitation is well-founded. Nonprofits have had a bumpy ride since the “Great Recession” started, and the required accountability among boards and leaders for transparency and results is greater than ever.

Choosing the right leader has major implications for nonprofit organizations. Compounding the challenge is the small pool of experienced senior executives ready to step into these leadership positions. National competition is fierce for leaders who are able to move an organization forward and produce results quickly. In this competitive landscape, the rewards can be high, but long-term loyalty on either side may not be part of the equation.

Regardless of the reasons, it is clear there will be a dramatic turnover in leadership in many nonprofits in the years ahead. As a result, nonprofit governing boards must look beyond traditional succession plans to ensure they are ready for change. The talent pool at the mid-management level is thin as well, and the demand for top talent exceeds supply. Most organizations do not have the depth in their staff, or their board of directors, to identify a



leader from within who is sufficiently knowledgeable about best – and *next* – practices in philanthropy and experienced in nonprofit management. As expectations rise for organizations to excel and innovate, the board often must look beyond internal or local candidates and invest in a widespread search. All of this puts a great deal of responsibility on boards of directors.

Planning for leadership transitions is one of the most important governance responsibilities of any nonprofit board. And it is not just planning for the orientation and onboarding of a new leader. It is equally important for the board to plan for and manage the transition of the outgoing executive. Regardless of the amount of time between the departure of one leader and the start of another, the board plays an important role in making sure that a productive organizational environment continues as the transition unfolds.

There are three things the board must do to achieve a successful transition:

- Set an agenda for the outgoing executive while, at the same time, supporting them in their final days and honoring their work for the organization;
- Set expectations for the incoming executive and facilitate the transfer of knowledge from one leader to the other; and
- Model stable and unifying behavior for staff, donors, other key stakeholders and the general public.

### **The Last Months: Time for the Board to Step Up**

Clearly, the stakes are high for an organization when a seasoned executive gives notice of their intent to leave, either to retire or to move on. It is critical that the board turn its full attention to managing the multi-faceted process ahead.

The first order of business is for the board to begin a thoughtful search for the next leader. Preparing for such a search can provide an invaluable opportunity for the board to focus on the organization's mission, vision, and strategic priorities, and to bring the board members together around common understandings of future directions. The process can also help define short-term expectations of the outgoing leader. The imminent departure of this executive can reveal widely divergent views between the board and executive on what should be completed during their remaining time and what should wait for the new leader. The board must work collaboratively with the executive to identify these transitional priorities; at the same time, the board should be decisive about their expectations of him or her during their final weeks or months.

The nature of the outgoing executive's work can range from addressing internal operational issues to laying the groundwork for a transformative venture that could be the hallmark of the next executive's tenure. If it takes many months to hire a new leader, the board is responsible for staying close to the staff, maintaining morale and ensuring that the organization's fundraising and mission delivery are not compromised. This can be an excellent time to turn to

outside counsel to move both board and staff forward while keeping the distractions of the uncertain future under control.

For example, when the Montana Community Foundation (MCF) recently began its search for a new CEO, they turned to The Phoenix Philanthropy Group to assist during the transition period. Nearly six months had passed since the long-time CEO had stepped down, and the organization was in need of operational guidance and stability. We conducted a best-practices assessment, did a wide-spread environmental scan of constituents across the state, and provided operational guidance for the staff and board. We also supported a fast-track search that helped the board focus on the organization's strategic imperatives. After interviewing top-notch candidates from around the country, the board offered the position to Mary Rutherford, a highly experienced CEO and development professional who met all the criteria on the board's wish list. Mary started her position in early January 2014 and, because the board had the foresight to prepare for her arrival, she has the advantage of a board that is uniformly behind its strategic agenda. She also has a detailed analysis of the Foundation's past and current position, and a glimpse of the many dreams for its future. Dale Woolhiser, MCF board member said, "I am grateful to The Phoenix Philanthropy Group for their assistance in getting us ready to welcome Mary as our new CEO. They helped us align the leadership profile with our highest priorities, reinforced our belief in the impact of our work across Montana, and supported a common commitment to the future of our organization."

### **Passing the Baton: The Board can Ease the Transfer of Power**

The incoming executive may have little interest in overlapping time with his or her predecessor and the board should intentionally keep the transfer short and succinct. It is not in anyone's favor to have the outgoing executive continue to participate in the organization after their official departure. It is important, however, for the board to orchestrate an intentional transfer of important historical knowledge and context to the incoming leader. The outgoing executive can prepare a confidential written memo for the new executive's eyes only or a few meetings can be arranged between them. Senior staff should be charged with preparing clear and comprehensive reports on the state of their respective departments, identifying both strengths and challenges ahead. The level of interaction between the outgoing and incoming executives will vary depending on the two principals involved. It is common for the outgoing executive to want to assist their successor because they genuinely care about the organization and have an interest in the future of the programs and initiatives they have built. Others may want nothing to do with the next administration. Boards can help find and facilitate an optimal balance in the leadership transition while, again, ensuring that any overlapping time is short, disciplined and monitored.

The outgoing executive can contribute to a smooth transition by:

- Adhering to the specific date identified for the end of their transition and departure;
- Outlining all pressing issues for the board and abiding by the board's expectations of what will be accomplished prior to their departure;

- Preparing their senior leadership team for change and keeping morale and focus high; and
- Most importantly, providing the new leader with critical information about the organization and its key constituents.

The incoming executive can contribute to a smooth transition by:

- Understanding the position's objectives and board's expectations, both during the leadership transition and long-term, to ensure there is no ambiguity;
- Acknowledging the work of those who came before them;
- Connecting as quickly as possible with the key constituents of the organization; and
- Focusing on the future and being decisive and inspiring to both board and staff.

As Benjamin Franklin once said, "By failing to prepare, you are preparing to fail." Losing a long-time executive can seem daunting, especially when there is a real danger of losing institutional knowledge and solid relationships with donors and other key constituents and leaders. At the same time, the excitement of new possibilities and directions that fresh leadership can bring is also very intoxicating. The board can help ensure that a leadership transition is thoughtful, intentional, and positive for the organization, both internally and externally. All it takes is proper planning and preparation.

*To learn more about successful leadership transitions, as well as our broad range of other nonprofit and philanthropy consulting services, contact The Phoenix Philanthropy Group at 1-877-524-8774, or visit us at [www.phoenixphilanthropy.com](http://www.phoenixphilanthropy.com).*

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