PROACTIVELY PLAN FOR THE INEVITABLE:
A Guide to Leadership Transition and Succession

Olive Grove
in partnership with
VISTA GLOBAL
We would like to thank Mary Stelletello and Vista Global Coaching & Consulting for partnering with Olive Grove in this endeavor. Visit www.vistaglobalcc.com to learn more about the nonprofit coaching and consulting services that Mary and Vista Global provide.

More than 200 board chairs, executive directors, and CEOs participated in our survey, and 16 incoming and outgoing CEOs and board chairs were interviewed during this study. We thank them for generously sharing their time, experience and insights with us.

And thank you! As a reader, we applaud your curiosity and interest in learning and in driving the sector forward. We look forward to sharing our findings with you and hope to convey the significant risks, challenges, and opportunities that leadership transition and succession planning presents to the nonprofit sector.
More than 62% of organizations don’t have a written succession plan for leadership transition.
“My advice is – you can’t communicate enough.”

EXECUTIVE DIRECTOR
BACKGROUND
Managing the Silver Tsunami: Charting a Course for Successful Leadership Transitions

The “Silver Tsunami” is upon us. In the coming decade, tens of thousands of CEOs and executive directors will be leaving their leadership roles as they reach the age of retirement. Moreover, we’ve learned through our research that more than 62 percent of organizations don’t have a written succession plan for leadership transition. This is the single greatest threat facing the nonprofit sector today. That information makes some people anxious, others feel overwhelmed not knowing where to start, and others simply hope it won’t happen on their watch. However, these actually can be exciting times for leadership development, with opportunities to propel the organization you serve forward. With a proper transition plan in place, you’ll ride that wave with grace and power, feeling proud of the legacy you are leaving.

THINK PROACTIVELY

Ultimately, the board of directors is responsible for managing a leadership change. Caught unprepared, many boards scramble in an attempt to appoint a new leader as quickly as possible. As with most things in life, however, hasty choices often turn out to be poor choices. Knowing that change is coming — and planning for it — can allow your board to put the structures in place that can enable your new leader to succeed, and your organization to remain healthy.

More often than not, a board is unclear about expectations, and doesn’t understand its responsibilities in selecting, managing, and evaluating new leadership, as well as the change management needs that accompany a leadership transition. Having a board that is clear about its obligations and ready to manage the process is crucial to a successful leadership transition. That said, the board isn’t the only party that should prepare for leadership succession. Outgoing CEOs looking to leave behind a legacy need to understand their responsibility in managing the succession process as well. More than 66 percent feel comfortable speaking about succession with their board chair, so this isn’t a conversation that anyone needs to dance around. In fact, 61.5 percent of CEOs have already had this conversation with their board chair. Unfortunately, putting this theoretical priority into practice doesn’t happen enough, but it absolutely needs to. The future health of your organization depends on it.

Funders play a critical role as well. More than 50 percent of our respondents report that a lack of funding is a factor in preventing them from developing a succession plan, and 22 percent report that it is significant factor. It is more important than ever that funders set the tone in the nonprofit sector and invest in leadership. To protect their investment and sustain organizations over time, funders should prioritize leadership development as highly as they do program development. They also need to be promoting holistic, well-funded, and organized transitions across the sector. Funders who are aware of the issues that surround leadership transition can advise their own foundations, as well as their grantees, on the best practices for managing leadership succession. Most importantly, funders need to fund. An organization needs financial support to create and implement a transition plan — before it starts to take on water.

TAKE ACTION NOW

Bad transitions can threaten your organization’s ability to continue to deliver on its mission. Without a plan in place your organization could damage critical donor relationships, suffer financial loss, experience higher turnover in other staff positions, and lose momentum on program impact. Don’t wait to get help. Seeking outside assistance from the beginning will aid in gaining a fresh perspective on potential leadership, and can guide you in a direction that you may not even know is possible.

Many organizations don’t see creating a leadership transition plan as a priority because they don’t have a history or culture of it happening within their organization. They likely didn’t benefit from seeing it as they were building their careers in other nonprofits. Others reported to us that they considered the “newness” of their organization as a reason for not needing to make succession planning a priority. Consequently, they put it on the back burner. That is a shortsighted attitude to adopt when change could be just around the corner: with the average tenure of a CEO hovering around three years, persistent change is inevitable.
STUDY PURPOSE & METHODOLOGY

Why Another Study on Leadership Transition?

At Olive Grove, we know that a leadership transition is perhaps the most disruptive challenge facing the nonprofit sector. We see it every day. So, we decided to take a deeper look at what’s really going on. Our goal was to gain better insight into the overall level of knowledge and preparedness regarding leadership transitions across the sector. What kind of planning was taking place prior to transitions? How were transitions being managed after the fact? What worked, and what didn’t, during those transitions?

We anticipated that the data was going to reveal numerous preparedness gaps, but upon further review we also learned tremendous opportunities existed to strengthen the sector through effective transition planning.

METHODOLOGY

Our study was distributed nationally through our extensive network of nonprofit and philanthropic leaders. By tapping into these resources, we were able to gather information from more than 200 CEOs, executive directors, and board chairs from within the nonprofit sector.

We focused our questions on leadership transition and succession; specifically, the type and extent of planning that came before the most recent transition, and how these transitions were managed after a new leader was brought on board. To achieve a complete panoramic perspective, we augmented the study by conducting 16 more interviews with both incoming and outgoing CEOs and executive directors, as well as the board chairs who had overseen these transitions.

WHAT IT MEANS

The data compiled through our research means new growth and development for our nonprofit partners. It means we can help organizations weather the stressors that come with a change in leadership. By identifying the key challenges and areas of opportunity, we are able to take an informed and proactive approach to leadership transitions, and as a result can better guide our clients in maintaining their hard-earned momentum toward reaching their goals.
68% of Board Chairs report that there isn’t a history or culture of succession planning in the organization.
“If you’re planning to leave, get over it, get over yourself. Do what you can to make it work for the next person. Let go – it isn’t someone replacing you it’s someone succeeding you.”

OUTGOING EXECUTIVE DIRECTOR
50% of organizations put creating a leadership transition plan on the backburner because they don’t see it as a priority.
CHALLENGES & OPPORTUNITIES
The Tides of Change: Viewing Challenging Times as Exciting Opportunities

You can’t escape it: every leader will eventually leave and someone will replace that person. Don’t wait until your CEO walks out the door to get a transition plan in place. Our study indicated that 50 percent of organizations put creating a leadership transition plan on the backburner because they don’t see it as a priority, and 38 percent of CEOs and 68 percent of board chairs report that they don’t have a history or culture of it happening within their organization. That can be dangerous. As one board chair stated, “Change is going to happen. We can be thoughtful about it or not, but it will happen.” Without a plan in place, change can feel like being in choppy seas, but with a plan, you can leverage all of that energy to propel your organization to new accomplishments.

Understand the risks.
Leadership transition leaves an organization exposed to many vulnerabilities. Fortunately, knowing what lies ahead can help you to be prepared. Some of these risks include:

- Loss of day-to-day management capacity and expertise
- Loss of momentum in fundraising
- Loss of crucial funding relationships
- Loss of key stakeholder or strategic partnerships
- Significant payout of accrued vacation time for the outgoing leader
- Increase or rise in incoming CEO salary to reflect current market rate
- Loss of institutional knowledge
- Increased likelihood of additional staff turnover
- Increased likelihood of board turnover
- Organizational culture shifts
- Inability to champion the vision
- Board burnout and disengagement

Know your role.
The search and transition process begins with knowing your role. Ultimately, your board of directors is accountable for facilitating a smooth leadership transition. Caught off guard, many boards jump at the chance to appoint a new leader as quickly as possible, raising the possibility for another quick transition and a revolving door that results in a spiral of negative implications. But this isn’t the way to go about it. Before any selection process takes place, the board needs to understand the expectations and its responsibilities in selecting, managing, and evaluating new leadership. What is each board member’s role in facilitating long-term leadership success? What does each board member need to fulfill their role?

Think of leadership transition as an unrecognized liability on your balance sheet that could put your mission at risk — what would it take to mitigate that liability, and even turn aspects of it into an asset?

Internal leadership development is key.
Finding good talent is no doubt a challenge to any organization. You may not realize it, but you probably have a wealth of it sitting at the next desk. Often, with the right coaching and transition plan, individuals within an organization are able to move successfully into higher leadership and management roles, so foster your internal talent! Your current staff is already loyal to the organization, shares its ideals, knows the
culture, and understands the way things are done. As part of a proactive approach to leadership transitions, boards should actively communicate with, and support, the CEO in the cultivation of potential leaders from within the current staff. In fact, boards should include emergency and long-term succession planning in every CEO’s work plan and annual evaluation. Boards also need to prioritize and approve financial investments in leadership development, and stay abreast of the current capacity and potential of its talent. Is there someone in your organization’s senior management who has what it takes to step up and lead? Sometimes all it takes is a little coaching to nurture a great leader.

Times of transition are also opportunities to gain an understanding of modern ideals and ideas that excite young talent. The generations graduating into leadership are eager to undertake bigger responsibilities and to participate in training and learning opportunities. They may also present opportunities to understand the broader context and to feel the direct impact of their role, and to receive ongoing constructive feedback so they know where they stand and can improve. To take advantage of this, organizations should actively groom newer recruits for future management by pairing them with mentors and champions who will ensure they receive these opportunities and opportunities to reflect and grow. You want long-term partnerships. If fostered correctly, you can turn your young crop of talent into your future driving leaders.

Another small but powerful thing boards can do is schedule an annual risk assessment and management conversation that includes exploring leadership loss in all key roles, no matter where they sit on the organizational chart. By normalizing the conversation and making it a regular topic, the board is signalling its importance and its expectation that the subject will have the leader’s attention as well. Use this opportunity to find a successful long-term fit. Most boards view a change in leadership as a challenge to find the “perfect fit.” Sorry to say, but that’s seldom possible. Some boards take on the “carbon copy” mandate to find someone exactly like their past leader; others swing the pendulum way to the other side and search for someone nothing like the departing executive. Instead, a board should be looking for a successful long-term fit by searching for the person who aligns with its strategic vision for the future, can leverage its current strengths, and address its current gaps. It is an opportunity to create a new leadership profile based on what an organization needs now, and five years down the line. Every candidate is going to have a different set of strengths and weaknesses. The board’s responsibility is to determine which skills are critical must-haves and which skills the board is willing to support the new CEO in developing over time.

“My feeling is that when you have a long-time Executive Director you need an interim.” OUTGOING EXECUTIVE DIRECTOR

Approach a leadership transition like you’re building a lasting relationship. What is it going to take for your leader to succeed long term? How can you support the new leader in ensuring success? After all, you don’t want to go through this process again in a few months! Successful fits are built on creating and fostering partnerships between leader, board members, funders, and external coaches or consultants. As a board member, your role doesn’t end when your new CEO signs on the dotted line. In fact, that’s just the beginning.

CREATING AN ON-BOARDING PLAN THAT WORKS

Unfortunately, you can’t just drop new CEOs off in the riling ocean and expect them to swim. Without an on-boarding plan they are likely to flounder, and take your organization down, too. Without a clear understanding of the priorities, and what needs to be done, a new CEO is not set up to succeed—no matter how experienced he or she is. A successful on-boarding plan can get your new CEO started on the right foot. Despite the increasing research that on-boarding works, many CEOs report receiving little or no board support when entering their position. On-board coaching reduces CEO turnover, establishes a foundation for long-term success, fosters CEO/board relationships, and aligns the strategic vision. The task is to try and translate often intangible concerns about transition into an action plan for moving forward. The bottom line is this: to protect the significant investments in time, energy, and resources you just put into your recruiting
Over half, 56 per cent, of board chairs who responded to us said, “The CEO doesn’t plan to leave for a long time.”
41% of the CEOs we surveyed plan to leave within the next two years.
and change management process, on-boarding is necessary to prepare a new leader.

Develop an on-boarding plan that seeks to:
• Define performance objectives
• Identify early-stage priorities (30, 60, 90 days)
• Establish long-term goals (6, 12, 18 months)
• Set out clear expectations of the board, CEO, and staff
• Provide coaching for an effective Chair/CEO partnership
• Create evaluation systems
• Engage funders in supporting and investing in an on-boarding program

Ultimately, the goal is to set your leader up for long-term success. With the right on-board coaching, great leaders can drive a mission forward. With no coaching, they are left treading in deep waters without a life preserver. A board that is informed, knows its roles, and has an on-boarding plan, is equipped to facilitate success.

**ADVICE FOR INCOMING LEADERS:** Don’t charge in thinking that you have all the answers. You don’t. In fact, you can’t. It takes time to create a vision for an organization and understand the strengths you can leverage to get there. As a rule of thumb, take at least 100 days to listen and understand what your board is expecting from you, what its vision is for the future, and learning the ins-and-outs of the organization. Be clear what your mandate is and reiterate that, but in a way that works in partnership with the board to move forward.

**OFF-BOARDING: THE OTHER HALF OF A SUCCESSFUL TRANSITION**

Transitioning your departing leader out of his or her role can be a tricky and delicate process to navigate. It is especially so when that person is a founder, a significant donor, or a legacy CEO (10 years or more in the role). There’s a fine line to walk between continuing to utilize this person’s talents and letting the exiting CEO interfere with your ability to move forward. That’s why you need an off-boarding strategy.

“When the founder departs there should be no ‘maybes’”
INCOMING EXECUTIVE DIRECTOR

**When creating an off-boarding plan, set guidelines and boundaries, and be clear.**
These can sometimes be difficult conversations to have, but don’t be afraid of them. We found that almost 67 percent of CEOs feel comfortable speaking about succession with their board chair. More than 61 percent have had this often-avoided discussion with their board, and 60 percent have discussed it with staff. These don’t have to be taboo topics of conversation that get whispered about around the coffee machine — and they shouldn’t! Everyone knows change is inevitable, and open dialogue promotes a smooth transition.

No matter how involved, your outgoing leader is going to play some role. It’s just a matter of finding the right balance for your organization. It may not be a good idea to put departing CEOs on the board of directors immediately, but it’s also not a good idea to shut the door behind them as they leave or pretend they don’t exist while they’re still running the organization. After all, they still maintain important donor relationships and have likely been an ambassador for your cause for years. These are not relationships you want to tarnish. Setting expectations before transition ensures that no one feels backed into a corner or stepped on when succession finally happens. Ultimately, it’s up to the board to determine how the departing leader can best be celebrated, can serve the transition, and what his or her role will be when that transition is complete.

“I have no desire to be the monster zombie ghost that haunts the new CEO”
CHIEF EXECUTIVE OFFICER

**ADVICE TO LONG-TIME OUTGOING LEADERS:** This can be a pretty emotional time in your life, as the organization you have led is something you have cared for and nurtured for years. Try to put those emotions aside as you transition out of your role. Think of this as a process of succession, rather than a process of replacement, and that it’s healthy for the organization. Don’t worry — you’re still needed! The relationships you’ve fostered over the years are important and need to be maintained. You can still make a big impact from outside the organization, if you don’t let your ego get in the way. Don’t confuse your personal emotional needs with the organization’s needs, and seriously consider hiring your own coach or guide to help you navigate your personal relationship to the transition process.
THE OLIVE GROVE APPROACH

Leadership is in a constant cycle of transition, even when you aren’t currently conducting an executive search. Therefore, the board and CEO should always have an eye on what’s coming up next in terms of leadership and proactively developing leaders. An organization should routinely engage in succession planning to mitigate the risks posed by transitions or sudden departures.

Here is our six-step process to a successful leadership transition.

1. SUCCESSION PLANNING

Your organization should proactively plan for transition by building leadership internally. Your CEO must keep a watchful eye on the state of leadership throughout the organization and be responsible for ensuring that everyone has a development plan and there is a succession plan for every role in the organization.

2. OFF-BOARDING

Your board and executive leadership team share the responsibility for creating a successful transition. Capture knowledge and document the status of key relationships with funders, partners and other stakeholders. Ensure important tasks such as performance reviews, calendars, board meeting minutes are documented and shared.

3. REFLECTION AND ASSESSMENT

During a period of transition, take the time to reflect on the current state of your organization and develop a comprehensive vision for the future. This is your golden opportunity to align your board and executive leadership behind a fresh organizational vision.

4. EXECUTIVE SEARCH

Your search committee mustn’t get caught up in the anxiety that surrounds a leadership transition, and instead, through a process of honest reflection and planning, focus on sourcing and hiring the right leader to support organizational growth and transformation.

5. ON-BOARDING

Leadership transition does not end when the role is filled. The success of your new leader’s tenure is often determined in the first few months after hiring. Your board must collaborate with your new leader to set mutual expectations and create an evaluation plan. With the right coaching and guidance of both your new leader and the board, you can create a long-term partnership that can realize the organizational goals you see on the horizon.

6. LEADERSHIP DEVELOPMENT

Organizations need leaders at every level. The CEO should be providing leadership opportunities for all staff and map human capital to ensure the organization is developing appropriate skills across all functions. This not only keeps employees happy and provides them with professional and career development that could lengthen their tenure, it also mitigates the risk of transition at the top of the organization.
LEADERSHIP ROLES

Please indicate in which leadership role you serve at your organization.

- **CHIEF EXECUTIVE OFFICER**: 69.6%
- **BOARD CHAIR**: 22.6%
- **FORMER BOARD CHAIR**: 7.8%

- Must have served as Board Chair within the last 3 years.

How much longer do you imagine remaining in your current position?

- **0-2 YRS**: 40%
- **3-4 YRS**: 31.7%
- **5+ YRS**: 26.8%
“How do you think about leadership and succession at any moment? It needs to be integrated into the day to day.”

EXECUTIVE DIRECTOR
GETTING STARTED

Getting a leadership transition and succession plan in place might seem like a tremendously daunting task. But, with a little help it can be easier than you think. Here are a few simple steps to get you started:

1. **SCHEDULE** a succession/transition conversation at your next board meeting and use the questions below to guide your discussion.

2. **DOWNLOAD** a sample emergency succession plan from www.4Good.org.

3. **BUILD** a 5 percent investment in professional development and training into your budget for next fiscal year (this is below corporate levels, which are about 15 percent of total personnel budget). If you want to aim for the corporate level of 15 percent as a long-term goal, add 1.5 percent more to your professional development and training allocation each year.

4. **PLACE** succession planning on your annual organizational priorities or operational plan, and build it into the evaluation process of the executive director.

5. **SHARE** our guide within your organization and help us normalize succession and transition in the nonprofit sector!

**QUESTIONS FOR THE BOARD CHAIR TO JUMP-START SUCCESSION/TRANSITION CONVERSATION**

- What will life look like after our current CEO leaves?
- Is the board ready to manage a transition process?
- When do we anticipate a transition or when is a transition likely to happen?
- How do we plan for a transition now?
- Would we need an interim?
- Do we have a good sense of the organization’s direction for the next three years?

**QUESTIONS FOR THE CEO TO JUMP-START SUCCESSION/TRANSITION CONVERSATION**

- What will life will look like after I leave this organization?
- What is the state of the organization?
- Will the board need support to manage a transition?
- Will the staff need support to manage a transition?
- How can I prepare the staff for transition?

Don’t hesitate to get your leadership transition and succession plan in place. We can help steer your organization in the direction of a bright future. Olive Grove is a consulting firm unlike any other. Our clients have access to our growing network of philanthropic and nonprofit leaders, complementary firms, universities, funders, graduate students, and other talented individuals and organizations. Our model places the client at the center, bringing together trusted partners to execute your vision.

Visit our website at www.theolivegrove.com to learn more about what we do, browse our extensive collection of articles and helpful resources, or to stay-up-date with the latest by joining our mailing list.

The future success of your organization depends on the choices that you make today. Let Olive Grove help your organization navigate its upcoming change with success.

“A LOT OF IMPLICIT KNOWLEDGE ISN’T RECORDED — YOU HAVE TO BE COMFORTABLE KNOWING THAT SOME THINGS WILL FALL THROUGH THE CRACKS.”

*Incoming Executive Director*
“Today I shall behave as if this is the day I will be remembered.”

DR. SEUSS