Planning Successful Successions

Preparing for a leader's departure can prevent problems

By Holly Hall

Mark Aubel has spent the past quarter century running Once Upon a Time, a dance school and arts program for young people in Queens, N.Y., that was founded by his wife, a former ballerina.

At age 58, Mr. Aubel says he is eager to move into a new role and allow a new executive director to take over the day-to-day business operations. That would free him to do what he cares about most: teaching kids with the talent and drive to become professional dancers.

"It takes a minimum of eight years, six days a week, 52 weeks a year to make a dancer," says Mr. Aubel.

Unfortunately, it may take just as long for Once Upon a Time to find his successor.

Mr. Aubel's organization has a budget of $750,000; as a result, he says the group cannot afford to provide health or retirement benefits to its workers.

Recognizing how difficult the tight budget and lack of benefits could make finding his replacement, Mr. Aubel has asked his board to draft a succession plan that will enable the charity to find a qualified leader. "I want the organization to continue beyond us," he says.

Mr. Aubel's focus on the future is unusual. Even though leadership transitions are expected to become commonplace in the next few years, most groups have made no formal effort to prepare for one of the most important changes a nonprofit organization faces.

"Succession planning is so important, but no one is doing it," says Donna Stark, director of leadership development at the Annie E. Casey Foundation.

A national survey of 2,200 executive directors at charities commissioned by Casey found that more than half of their organizations have no succession plan, even though nearly two-thirds of the executives plan to leave their jobs by 2009. Other studies suggest that the number of charities without succession plans is much higher: 86 percent of groups in the Kansas City, Mo., area lack such plans, according to the Greater Kansas City Community Foundation.

Wave of Retirements Expected

The reason so many nonprofit leaders are leaving their jobs has a lot to do with demographics. People born in the post-World War II boom founded many charities in the 1960s and 70s, and the oldest of the 78 million people who make up that generation turned 60 this month.

Far fewer people are available to fill those slots as the boomers retire. Generation X — mostly people now in their 30s — numbers only 38 million.
What's more, few groups expect to find new chief executives from within their ranks.

Only about a third of charity leaders say they now have senior officials on staff who are capable of taking over the top job, according to preliminary results from a study of nearly 2,000 nonprofit leaders to be released this winter. The study, commissioned by the Eugene and Agnes E. Meyer Foundation, found that 68 percent of the organizations are led by a management team, and do not just depend on the executive director.

"The vast majority of nonprofit organizations are relatively small, and it is rare that the natural successor is waiting in the wings," says Peter Berns, executive director of the Maryland Association of Nonprofit Organizations.

Concerned about how charities will deal with a shortage of leaders, the association recently began offering a Leadership Succession and Executive Transition Clinic to local groups.

**Tough Job**

Even senior officials who are qualified for the top job often don't want it. The growing complexity of managing nonprofit organizations and the long hours that many, if not most, executives are required to put in turn off many staff members who otherwise might be recruited to the position.

At the Peninsula Conflict Resolution Center, which provides mediation services in San Mateo, Calif., Patricia Brown, the group's executive director, will leave her job later this year at age 62 after nearly 20 years at the organization. To get ready for the transition, she hired an associate director she was grooming as a potential successor.

"But as we got more serious about what the job was," says Ms. Brown, "she decided she wasn't interested and left.

"This was a telling experience," she says. "These jobs are difficult. Our jobs are under-resourced, and executive directors take on more than they should."

Ms. Brown says she has now begun work on a succession plan, has expanded the activities of her board to better promote the organization after she leaves, and will seek a grant from a local foundation to help manage her departure and recruit a successor.

Consultants who assist charities that have lost a chief executive say that such planning can prevent or greatly lessen the many problems that nonprofit groups often face when the executive leaves: decreased contributions, program cuts, confusion over the direction of the organization, flagging employee morale, and other challenges.

Longtime charity officials and grant makers agree that succession planning can avoid many other hassles. "The reason to do this is to prevent panic," says Betsy Nelson, executive director of the Association of Baltimore Area Grantmakers. "If you have a board that is inexperienced in recruiting, this gives them marching orders."

**Planning for an Emergency**

Succession plans have two components:
• An emergency succession plan details which steps a charity will take after an abrupt departure, such as the sudden death of a CEO. It outlines who will alert the press, communicate with donors, and secure important documents, for example.

• A planned succession policy outlines the steps needed to make sure a transition is as orderly as possible, including details on how much notice the departing leader must give, if and how that person will be involved in the search for a successor, and how much overlap the outgoing and incoming leaders should have.

But adopting such plans makes charity officials uncomfortable for many reasons, says Denice Rothman Hinden, president of Managance Consulting, a Silver Spring, Md., company that works with charities.

Founders of charities are especially likely to be threatened by succession planning, which could feel as if they are planning their own funeral, she notes. Some chief executives fear that they will lose power and become a lame-duck leader once they adopt a succession plan — especially if it names the next leader, as some do.

"Others worry that if they talk to their board about leadership change, the board will think they're leaving," she says. "And boards don't want to talk about it because they don't want to put it in the director's head that they've lost confidence in him or her."

But recently, some board members have started to ask charities for succession plans.

Leadell Ediger, executive director of the Kansas Association of Child Care Resource and Referral Agencies, in Salina, says that two of the three candidates recruited to join her board last year asked whether the organization has a succession plan.

One of those candidates, a businessman, had recently served on another charity board that had to scramble when the executive director left, and he was not eager to repeat the experience, says Ms. Ediger. Her organization has responded by coming up with an emergency succession plan to be presented to the board next month.

Another sign that interest in succession planning is growing: Over the last five years, grant makers such as the David and Lucile Packard Foundation, the Evelyn and Walter Haas Jr. Fund, and the San Francisco Foundation have joined the Casey Foundation in helping charities with leader departures and succession planning.

In Hutchinson, Kan., the United Methodist Health Ministry Fund began offering workshops on planned and unplanned leader changes to about 20 of its grantees last year.

"The thoughtful foundations are happy to pay for succession planning, especially when they have invested a lot in an organization, because it is in their own self-interest," says Tim Wolfred, director of leadership services at CompassPoint Nonprofit Services, a San Francisco group that helps charities undergoing executive changes. "The problem is getting nonprofits to realize they need succession planning and getting them to ask for it."

Charities that do take the time to create a succession plan say the process is difficult but worthwhile.

The Community Association for Rehabilitation, a Palo Alto, Calif., charity that helps people with disabilities, spent a year coming up with its plan, which includes emergency contingencies, as well as
policies on how to manage operations and the search for a new leader when its executive director, Lynda Steele, 57, eventually steps down.

"Some board members thought I might be leaving soon," she says. "This led to insecurity, but trying to exert some control over the inevitable makes me feel better."

Organizations Change

Many nonprofit groups want their next executive director to be as much like the outgoing leader as possible, but experts say that is usually the wrong approach to identifying a new leader, namely because organizations and the people they serve change.

That's what officials realized at Bethel New Life, a religious group that provides low-cost housing and other services in Chicago. As the organization approached its 25th anniversary, the board and staff began thinking about the inevitable retirement of Mary Nelson, who, after 26 years with the organization, left last year.

"I came out of the church that founded the organization, but I am white and the community had changed," says Ms. Nelson. More than 90 percent of the people who now live in the neighborhood served by the charity, officials say, are members of minority groups.

At a board retreat, Bethel came up with a two-year succession plan that mapped out practices the organization needed to revise. It also surveyed staff and board members to determine what skills and attributes their new leader should have, hired a consultant to help conduct the search, appointed a committee of board members to screen both internal and outside candidates for the job, and named another committee to work with the new executive director for the first six months on the job.

"It took persistence, it was heavy-duty work," says Ms. Nelson.

Steven McCullough, who had spent four years as Bethel's chief operating officer, was selected to succeed Ms. Nelson. He is black and grew up in the neighborhood the charity serves, two factors that gave him an edge beyond the skills he had learned on the job, she says. Still, Mr. McCullough says, the succession plan and ensuing search was especially trying for him.

"If you are evaluating internal and external candidates, the internal candidates feel like they have everything on the line," he says, noting that he might have left the organization altogether if he hadn't been chosen. "It was stressful, everyone knowing my hat was in the ring."

Detailed Transition

While succession planning can be uncomfortable, it is also liberating to some outgoing executives like Jan Kreamer, 58, who stepped down last month after 20 years as head of the Greater Kansas City Community Foundation.

Ms. Kreamer spent three years carrying out her succession plan, which was far more than just a piece of paper. In her final months at the foundation, Ms. Kreamer gave the keys to her corner office to her successor and moved into a cubicle, coming in three or four days a week. "How does that feel, honestly? It feels great," she says. "I am finally beginning to see the balance I want in my life."

Ms. Kreamer began her succession plan by meeting with her board and discussing strengths of potential
successors among senior staff members, as well as areas where those people needed more training.

The board agreed to provide the three staff members with executive coaches, and Ms. Kreamer began to give them responsibilities she would normally handle, such as meeting with the press, working with leaders of other community funds, and attending board meetings.

"We wanted to signal depth in the organization, that our foundation is not about just one leader, it is about talent throughout the board and staff," Ms. Kreamer says.

Eventually one of the senior staff members, Laura McKnight, 38, was chosen to succeed Ms. Kreamer, and the two women worked side by side for one year, following a detailed month-by-month plan that allowed Ms. McKnight to gradually take over all the duties Ms. Kreamer handled. The foundation board's executive committee reviewed the succession plan every three months.

"We didn't just wing it," Ms. Kreamer says. "Having the plan gave us accountability and made us see that an orderly transition must be a priority."

**Strengthening Skills**

Like Ms. Kreamer, other charity leaders say that succession planning leads them to work on improving the abilities of multiple staff members, not just those of the next CEO.

Karen Haren, executive director of Harvesters, a Kansas City, Mo., food bank with a $5-million budget and 50-member staff, is planning to draft a formal succession plan, but she says that her charity already has an informal plan, because she has been sharing information so that others could do her job if necessary.

"A lot of succession planning is about training our staff to be eligible for another position," she says. "We have a plan in which several people would be qualified to step into my job if I left. The same is true with other key positions."

But some executives, especially those at smaller organizations, fear Ms. Haren's approach, according to a study of nearly 900 local charities by New York City's United Way. Six in 10 executives at small charities believe that offering professional-development opportunities would cause employees to leave for better jobs elsewhere.

Those concerns are not groundless, says Ms. Nelson of the Association of Baltimore Area Grantmakers, which worked with a consultant to adopt a formal succession plan a year ago. "We have made a real effort to grow staff, but we are small so there is not a big career ladder here," Ms. Nelson says. "Some have moved on. We see this as success in that we are populating the field with qualified people."

Troy Chapman, director of executive transition and leadership at the Support Center for Nonprofit Management, in New York, has been promoting the use of an emergency succession plan to get executive directors to focus on training people.

He asks executive directors and board members to list three people who could take over the executive's job in a crisis. That simple exercise, he says, often makes them see the need to train those individuals, make them privy to relations with donors and other key constituents, and share important information.

"What we are trying to do with succession planning is to get them thinking about spreading the
information, not holding it in one or two people," says Mr. Chapman. "They have to disseminate all this information so when they walk out the door, the organization doesn't fold."