

TransitionWorks



WHITE PAPER

Nonprofit Leadership Transition: Sustaining Organizational Success When a Founder or Long-Term Leader Departs

Nonprofit organizations are predicted to transition their chief executive at a staggering rate for the foreseeable future. Many of these organizations are led by founders, or long-time leaders who have functioned as founders. Succeeding a founder or long term leader can be especially challenging for the new chief executive. In our experience working with organizations through these types of transitions, how the organization's board, departing chief executive and staff plan for and manage the transition is a critical factor in the success of the new leader and sustainability of the organization.

We founded **TransitionWorks** in 2007 to help organizations manage leadership transitions. This White Paper illuminates two distinct transition scenarios. One in which the founders, staff and board recognized the inherent challenges transition presents and collaborated thoughtfully and engaged in careful planning for the transition, and another where the founder managed hierarchically and directed all aspects of board governance, in an environment that failed to recognize the inherent challenges leadership transitions present.

This paper presents two organizations and the distinct challenges presented when a long-term leader or founder departs. Both organizations experienced transition challenges. The difference is that one organization was planful, anticipated some of the challenges, was willing to address them openly, and retained outside expert help when they hit a roadblock. The other organization suffered from traditional *Founder's*

Syndrome, a label normally used to refer to a pattern of behavior on the part of the founder of an organization that, over time, becomes maladaptive to the successful accomplishment of the organizational mission. It is particularly common where there has been only one person leading the organization since its inception or early stages.

Organization A – Founders looking to the future

Organization A represents a successful transition of an organization that planned and managed the process effectively. This organization is an \$8 M regional arts center that was founded in the early 1990s by two individuals who had been consultants in the field. As founding directors, they shared all aspects of leadership of the organization, and were directly involved in all aspects of coordinating the arts and culture programs. Like most founder-led organizations, the co-directors set strategic direction and for all intents and purposes, directed and led the board. Over time, they built a team, but like many founders, struggled with delegation and accountability.

The co-directors had been in their roles close to two decades when they began to think about career transition for themselves. One director wanted to formally leave the organization to pursue personal artistic endeavors, while the other co-director determined that staying in the organization and taking the program manager role was the goal.

Unlike many founders, particularly those exhibiting what is known as *Founder's Syndrome* these co-directors knew they had to develop a careful plan to create a transition that would ensure their legacy as well as sustainability and growth for the organization. They began by consciously strengthening the board and preparing board members for leadership and governance. A transition committee was formed and included staff representation. Over time, the board began to step into a more active governance role, although the founding leaders continued to create the agenda and manage and lead the board meetings.

Our firm was retained following an unsuccessful search for a new executive director. We immediately recognized that despite being very proactive in their transition planning process, board leadership and staff had not anticipated the degree to which candidates had concerns about:

- Succeeding founders as the next leader;
- Coming into an organization that retained one of the founders;
- Staff concerns and anxiety around change.

Board and staff leadership knew the organization might need to change in order to grow, but they were not fully able to articulate what kind of change they could support

or the candidate profile of someone who could effect change. The consultants worked closely with the board and staff to identify the key characteristics and competencies sought in a new leader. Open discussions were initiated about the potential impact on a new chief executive of having a founder remain. Change management workshops were held with board and staff to help them talk about and process the impending leadership change.

One consultant worked extensively with the founders to help them manage the transition, and the other consultant managed the search process. Together, the consultants worked closely with the staff and board on evolving transition issues.

Ultimately, a high profile candidate with extensive leadership experience was identified and subsequently hired. During the search process, the board continued to step up into an appropriate level of governance and oversight. The consultants advised the board and staff in the development of an appropriate event to recognize the co-founders and welcome the new chief executive. Executive coaching was provided to the new leader during the first three months to facilitate the onboarding process, including work with board, staff and managing the presence and role of the remaining founding leader. The board worked collaboratively with the new chief executive, and had fully evolved into a performing governance board by the end of the first year following the departure of the co-founders as executives.

The new chief executive was able to facilitate a number of changes that have strengthened the organization, increased revenues, expanded staff, and provided entrées into new areas of research that are well funded at this time.

Factors that contributed to the successful leadership transition in Organization A are:

- Willingness on the part of the organization to address transition issues honestly and transparently;
- Interest in retaining outside expertise to help the board manage the more challenging aspects of transition;
- Receptivity to exploring the difficult issues surfaced by the consultants related to change and transition.

Organization B – Founder without a legacy

Organization B presents a vivid example of what happens when the challenges of succeeding a founder/leader are not managed and planning for transition does not occur. A \$50 M national nonprofit organization that coordinates neighborhood revitalization projects was led by a founder/leader for over three decades. Almost all members of the senior leadership team had been in their roles for the same amount of

time, and no one served as a “number two” or deputy to the founder/leader. The board and its executive committee were personally selected by the founder/leader. When the high profile founder/leader decided to step down, an internal search committee was formed; there was no staff input or representation, and the exiting founder/leader assumed a role in the selection of the organization’s successor. Minimal external stakeholder input was sought, and the search was conducted without the guidance of a search professional.

Organization B was in the throes of *Founder’s Syndrome*. We have observed a number of negative outcomes that can occur when a founder/long-term leader seeks to maintain disproportionate power and influence. Indications of the resulting organizational dysfunction may include:

- over time, the organization becomes overly identified with the founder/leader;
- no succession plan exists;
- the founder/leader is at the center of all decision-making;
- the organization becomes reactive, rather than proactive, and there is little input from staff or board into decisions;
- staff loyalty, rather than ideas and expertise, ensures the founder/leader is surrounded by cheerleaders rather than challengers;
- limited or lack of professional development of existing staff leadership reinforces and solidifies the founder/leader’s power;
- the board is often selected by the founder/leader, and their role is often relegated to “support” the leader/founder, rather than to lead the organization. The Board may be a “rubber stamp” and unable to probe basic financial or programmatic questions.

As a consequence, the succession planning occurs when the founder/leader decides to retire or leave the organization. The mad scramble to manage the leadership change and address succession is often done with a sense of panic and urgency. As staff have not been developed professionally, there is no internal succession. Ideally, the board would create an interim leadership plan, allowing time to identify organizational and leadership challenges with a focus on the future. This is often not the model embraced by founder-led boards, as they rush to fill the leadership vacuum.

Crisis set in for Organization B’s board when an external candidate was selected without the blessing or approval of the exiting founder/leader. The founder/leader attempted to block the hire and advocated strongly that another candidate in the pool be selected as the successor. The departing founder/leader then refused to participate in events and celebrations planned to honor their tenure and welcome the new leader. Moreover, the founder/leader openly disparaged the board’s selected successor within

their professional networks regionally and nationally. The urgency to quickly find a successor enabled the panic to exacerbate to fear within the staff and board. Everyone was worried that the founder/leader would not give their “blessings” to the named successor and initially, frantic attempts were made to engage the exiting founder/leader in the transition.

Once the crisis escalated, our firm was asked to step in and help with the transition of the new chief executive in the following ways:

- Develop a transition strategy in collaboration with board leadership;
- Assess the senior leadership team’s strengths and provision of coaching through the leadership change;
- Provide on-boarding coaching to align and integrate the new chief executive.

The crisis worsened once the founder/leader departed, as a multitude of financial and organizational issues began to surface. Problems surrounding facilities, finances, funding, and staff competencies began to surface quickly. Board leadership succession was not planned, and the end of the current board chair’s term coincided with the departure of the found/leader. This meant that the new chief executive and a newly selected board chair were forced to navigate the rocky waters together. The nature of the legal and financial issues was critical to organizational viability and sustainability, and required immediate resolution. This prevented the new leader from enjoying an optimal period of on-boarding to learn and navigate the organizational culture.

Critical lessons can be learned from observing the chaotic aftermath when a lack of transition planning accompanies the departure of a founder/leader. Several key insights to be noted are:

- Board recruitment and governance need a system of checks and balances.
- Succession planning needs to be tied into strategic and business planning; ensuring on-going leadership development within the organization.
- The board must require full disclosure of operations, including financials, facilities, contracts and human resources to stay fully informed.
- Obtaining feedback from internal and external stakeholders is a critical and useful component of the ongoing assessment of the chief executive.
- Transition planning should be initiated prior to the planned departure of a chief executive, to allow for the necessary time and professional guidance that ensures a smooth transition and the sustainability of the organization.
- The role of the departing founder/leader during and following the transition should be clearly defined; it is ill-advised for them to continue to be involved in a board capacity.

Six months have passed since the departure of the founder/leader. The major legal and financial issues have been addressed and are approaching resolution. Assessments of the senior team have led to changes in role definition and team composition. The board is addressing governance, and strengthening the role of its executive committee. The new chief executive succeeded in preventing the potential failure of the organization, and is now assuming a leadership role that incorporates a fresh vision for a changing organization.

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