

Executive Transitions: Nonprofit and Grantmaker Opportunities

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Background

A dramatic increase in the turnover of executive leadership within the nonprofit sector is imminent. Research indicates that the nonprofit sector is undergoing leadership transitions at a rate never before experienced. National studies by the Annie E. Casey Foundation, the Illinois Arts Alliance, and CompassPoint Nonprofit Services, Inc. indicate that the rate of turnover nonprofits can expect over the next five years ranges from seventy to ninety percent. The survey by the Annie E. Casey Foundation of their nonprofit grantees indicated that:

- More than 60% of their grantee executives are over age 50
- Eighty-five percent (85%) of current executive directors will transition out of their positions between 2000 and 2007
- Those who could be next in-line (Deputy or Associate Directors) “mirror” executives in experience and age, and many have no intention of assuming the role of chief executive (Adams, 1)

The Risks

The convergence of increasing executive turnover with inexperienced and unprepared boards poses significant risk for the nonprofit sector. Poor planning and preparedness can result in interruption of essential services, loss of critical funding, and disruption of important relationships. Small and mid-sized nonprofit organizations are particularly vulnerable to problems resulting from executive turnover. Many do not have the resources to plan for turnover and many have inexperienced boards, limiting in their capacity to manage leadership transitions. Connie Knight, in her article “Transition Executive Bridges the Gap During Change” states, “Board members, who are volunteers serving during their ‘free’ time, aren’t prepared to manage critical challenges during [a] transition period. Inattention to the day-to-day management or poor decision-making during the interim can wreak organizational havoc”. (Knight, 5)

“Organizational havoc” might be an understatement. One nonprofit organization lost five of their seven program managers after the board hired a new executive who was unable to forge good relationships with the existing staff. Another group, a nonprofit community development corporation, went through three new executives in one year before finding a person whose experience and skills had the right fit for their organization. These multiple missteps in hiring caused a loss of 25% of their funding, multiple layoffs, and reduction in services to the community. The boards of both of these organizations initially reacted to executive turnover by attempting to take a quick route to solving the challenge of leadership turnover. Only

after experiencing the disastrous effects of bad hires did they seek out the support of executive transition services.

Transition Services

Executive transition services provide support to nonprofit boards as they manage the transition from one executive leader to another. These services are typically provided by a consultant or by a management support organization and are offered as a menu of options that can be used by a board during the transition period. The menu might include:

- **Planning services:** A consultant or coach can work with the board to facilitate strategic planning to ensure that the organization is relevant and needed in the current environment. Planning can also include an analysis of the type of abilities and background needed in a new executive and can consider whether the current organizational structure should be changed or refined to improve effectiveness.
- **Interim management:** An interim executive can be assigned to provide day-to-day management of the organization, thus giving the board time to plan and recruit an adequate replacement for the outgoing executive.
- **Recruitment and selection of new executive:** The consultant or coach can work with the board to clarify the competencies needed in a new leader, review compensation parameters, advertise and market the position, and guide the organization through the interview and hiring process.
- **Engagement and orientation of new executive:** The consultant or coach can assist in the orientation of the new executive and guide the board in establishing realistic and shared expectations with the new executive.

The Opportunities

Tom Adams, a recognized expert in the field of nonprofit executive transitions, indicates that there are existing models for grantmakers to follow in supporting executive transition services for their grantees. According to Adams, national foundations such as the W.K. Kellogg Foundation, the Annie E. Casey Foundation, and the Lucille Packard Foundation have invested in executive transition projects that are demonstrating promising results such as:

- Supporting projects that educated their boards about executive transition services
- Subsidizing the cost of executive transition services, and
- Providing funding for their grantees to pay for executive transition services during a transition period.

CompassPoint Nonprofit Services in California has provided Executive Transition services. Follow-up research with organizations that used their executive transition services showed:

- Agency Wellness Improved with nearly all of the agencies saying they were ‘healthier’ or ‘much healthier.’ Nine out of ten reported that their budgets increased. Two-thirds mentioned that their board is stronger as a result. Nine out of ten reported staffing improvements.
- Organizational Capacity Increased with one-third serving new populations, nearly half offering new programs and another third increased the number of clients [served] (Adams, 1).

Conclusion

Change is always a challenge, but within every change there is both risk and opportunity. Adams refers to efforts that capitalize on the opportunity as “Seizing a Pivotal Moment”. Pivotal moments may be just ahead for many nonprofit organizations. Grantmakers can take advantage of these pivotal moments and build on the existing models of support embraced by those foundations that have already demonstrated their commitment. Grantmakers that care about the organizations they fund—the many small and mid-sized organizations that, despite their limited resources, provide critical services to their clients and communities—need to seize the pivotal moment now by supporting executive transition services for their grantees.

References

- Adams, Tom. “What are the Benefits of Executive Transition?” Transition Guides 16 Jan 2003. Google. 19 May 2003 <http://www.transitionguides.com/overview/benefits/htm>.
- Knight, Connie. “Transition: Executive Bridges Gap During Change.” Nonprofit World 5. (Sep/Oct 2000): 11-18. Proquest Direct. Manhattanville Coll. Lib., Purchase, NY. 23 Mar. 2003 <<http://umi.com/proquest>>.

For more information about the Executive Transition Services offered by the Support Center for Nonprofit Management, call John Vogelsang at 212-924-6744, ext. 308 or email jv@supportctr.org.