



**A CONVERSATION ABOUT SUCCESSION PLANNING**  
**(or, Succession Planning Whether You're Planning to Leave or Not)**  
**Thursday, February 21st, 2002**  
**Golden Gate Club, Presidio of San Francisco**

Minutes

Tim Wolfred, Director of CompassPoint's Executive Leadership Services, opened the forum with observations based on his own experiences serving as Interim Executive Director in numerous Bay Area nonprofit organization. "Routine" transitions or successions are rare, and will never be completely smooth. It is a time of discomfort and vulnerability for the organization and the people involved; the challenge is to embrace change rather than to fight it. The future of an organization belongs with its future leadership. Excessive efforts on the part of the departing ED to control the succession process can rob the successor and his/her board of their own vision and vitality.

As framed by Redington and Vickers in "Following the Leader", a transition guide, the final leadership task of an ED is the leadership of preparing the way and the leadership of letting. The focus of this presentation was on the specific ways an ED can accomplish that.

Most of the literature and most of the focus among nonprofits has been the narrow time period from a few months before the departure of an Executive Director, through the appointment and orientation of a successor. Today's forum, however, will focus on a longer planning timeframe, from two or more years before an executive transition takes place. Given the longer time frame, the current Executive Director can lay the groundwork for successful transition through the following steps:

1. Solidify the Management Team. Work with senior staff on professional development plans to broaden their skills and experience. Identify all key Executive Director functions, and transfer key information and capacity to perform each function to a back up person within the organization. (To the point, as one forum participant commented, that staff wonder why they're doing your job.) Other ideas suggested by participants included to involve senior staff in policy and systems development. These will outlive the Executive Director's tenure, and help institutionalize valued features of the organizational culture. Another suggestion was to seek opportunities for senior staff to sit on boards of similar organizations. As board members they will gain new perspective about organizational planning and governance. In one organization, department heads staff the various Board committees, thereby building a relationship with board members and gaining a better understanding of how the board functions.

2. Prepare the Board for the Future. The composition and skills of the Board of Directors is likely to have evolved to compliment the strengths of the current Executive Director. The Board may not include members with experience or commitment to overseeing an executive search and transition process. Jan Masaoka from CompassPoint noted that Board presidents often accept such positions only with the understanding that they will not be responsible to oversee a transition. She also noted that long term board members often take the opportunity of an Executive Director transition to leave the organization themselves, although they sometimes do not realize in advance that they will make this choice.

Therefore, sound succession planning includes seating a fresh cohort of board members who will provide board leadership during and after the Executive Director transition.

3. Back up Key Relationships with Funders and Donors. Tim and Jan stressed the importance of broadening funder relationships to include senior staff and/or board members. Who, in addition to the Executive Director, will be the contact person for each funder? Several forum participants noted that their department heads are already responsible for fundraising for their programs and reporting to funders, and so have built those relationships. Another participant commented that some funders will always want to relate only with the Executive Director, so some creative strategies may be required.
4. Put Finances in Order. This pertains to both financial management systems and reporting, and to cash reserves. On the systems side, are the organization's systems adequate to manage the volume and scale of its current financial responsibilities? Does the organization have up to date audits, and is it able to produce timely, accurate financial reports? Several forum participants noted that their organizations have become much larger and more complex over the years, and expressed concern that understanding the organizational finances would be a stumbling block to a new Executive Director. Jan commented that the CFO or Finance Director of the organization often turns out to be a key source of institutional memory during an Executive Director transition.

As part of succession planning the organization should also assess its revenue sources and cash reserves. CompassPoint's observation is that many organizations experience a dip in income associated with an Executive Director transition. Of the four main sources of revenue- development fees, management fees, government grants, and fundraising – what sources does the organization rely on the most, and which may be most vulnerable during the leadership transition?

In addition to possible revenue shortfalls, there are extra expenses associated with Executive Director transition. One common unanticipated expense is the need to pay a higher salary to an incoming Executive Director. Other potential expenses include severance pay, search fees, moving expenses, consulting fees for organizational assessment and strategic planning, executive coaching for the new Executive Director, and the cost of special events to honor the departing executive and welcome the new leadership.

How Can LISC and NPH Assist? The last part of the forum discussion focussed on ways that intermediaries such as LISC and NPH can help community development corporations prepare for successful Executive Director transitions. Suggestions from the group included:

- **Raise funder awareness.** Funders need to protect their investments in our organizations by supporting human capital development programs to ensure new leaders can step into the shoes of departing Executive Directors. Second, leadership transitions cost money, and funders should be prepared to provide extra funding specifically for that purpose.
- **Document case studies** of successful transitions.
- **Develop a self-assessment** for current Executive Directors. Is it time to leave?
- **Chart out and develop new career options** for former Executive Directors.
- **Expand training opportunities** for prospective Executive Directors. The DTI training is good housing development training, but similar training is needed to orient new or prospective Executive Directors about property management, financial management, and planning/strategic thinking.