

# Investigating Nonprofit Executive Transition Approaches

## *A Preliminary Report of Findings*

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### **Background**

Executive transitions are inevitable in the life of an organization,<sup>1</sup> and volunteer boards of directors are responsible for managing executive transitions in nonprofit organizations. The prescriptive nonprofit literature is rich with instructions about how boards should manage nonprofit executive turnover events, but research on board performance describes it as uneven and even problematic.<sup>2</sup> Thus, it is critical to understand what equips boards for strong outcomes in the responsibility of overseeing an executive transition.

Boards typically have three options for managing a transition event:

1. Manage on their own: Board management of the selection and recruitment on their own;
2. Executive Recruiter or Search Firm: Has background and expertise in executive recruiting, develops a pool of candidates, and guides the board in screening candidates and making a choice; or
3. Executive Transition Management: Assist boards with planning for executive transitions, engaging staff or other stakeholders in the process, recruiting and screening candidates, and the onboarding process for the new executive

Each approach requires differing levels of board involvement and commitments of financial and time resources.

With these three options, we have little empirical evidence about how each approach equips boards and contributes to organizational outcomes, and if there is any advantage, in terms of resource outlay and associated outcomes, between these options. Addressing this gap in our understanding has implications for both research and practice, and was the goal of this research study. An executive transition tests the leadership mettle of a volunteer board of directors, and sorting through process and outcomes has implications for how we understand board capacity, and are able to link board performance to overall organizational outcomes. From a practical perspective, this research helps explicate what contextual factors are considered in selecting a transition approach, and how limited nonprofit resources are applied in support of desired outcomes.

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<sup>1</sup> Gabarro, J. (1988). Executive leadership and succession: The process of taking charge. In D. C. Hambrick (Ed.), *The executive effect: Concepts and methods for studying top managers* (pp. 237-268). Greenwich, CT.: JAI Press, Inc.

<sup>2</sup> Marx, J., & Davis, C. (2012). Nonprofit governance: Improving performance in troubled economic times. *Administration in Social Work, 36*(1), 40-52.

## Research Objectives

To help fill this gap among nonprofit research and practice, a research study was implemented beginning in Spring 2017 to investigate the following questions:

- What factors do nonprofit boards use to define an executive transition's outcome as successful?
- What are factors contributing to the selection of a nonprofit's approach to an executive transition event?
- What elements of executive transition approaches give nonprofit boards confidence about an executive transition's outcome?

## Data Collection

The research questions were investigated using a survey approach targeted to board members who were currently recruiting or recently recruited for the nonprofit executive position. Board members were identified using executive (i.e. executive director, president, CEO positions) job board postings from state nonprofit associations (n=287) and through a network of executive recruiters and transition consultants (n=38). A total of 65 responses to the survey have been received to-date.

The survey was prepared and distributed via email using Qualtrics, and descriptive analysis of the results are presenting in the following, but first we raise two limitations. First, the invitation to participate in this study was distributed through this professional network, and the ultimate reach of the survey invitation is unknown given that some contacts may have forwarded to multiple boards who were recruiting for the executive position and that some contacts were membership listings of executive recruiters or nonprofit organizations. Second, we initially limited the survey responses to only boards currently recruiting for the executive position so many surveys were started but based on respondents indicating they were not currently recruiting, the survey prompts precluded their participation. Thus, many more started the initial survey than completed it, and we implemented a second phase of the survey to allow for nonprofit board respondents who are either currently recruiting or recently recruited an executive. The results reported herein reflect responses to both iterations of the survey.

## Preliminary Findings

### *Describing Survey Respondents and Boards*

In presenting the findings, we share the profile of the respondents and boards represented among the survey responses. Refer to Table 1. Survey respondents were most commonly the board chair and had been affiliated with the nonprofit for seven years on average. Boards had 14 members on average and most commonly had an executive committee. Boards also reported on recent activities, and boards had universally reviewed or approved an organizational budget (98%, n=60) followed by monitoring the mission performance of the nonprofit (84%, n=52). Interesting to note given the research interest of this study that 32% of the boards had never reviewed or approved a succession plan (n=20), and eight of the boards represented by the survey responses had never completed a performance evaluation of their executive.

When asked to reflect on their nonprofit’s financial health and mission performance, respondents gave positive but not fully confident assessments of their nonprofits. On a scale of 1-7 with 7 representing the nonprofit was deemed financially health, respondents indicated financial health as a 5.3 on average. On a scale of 1-7 with 7 representing the nonprofit was meeting its mission objectives, respondents rated mission performance a 5.7 on average.

**Table 1: Describing Respondents and their Boards**

Survey Respondents	Board Activities in Last Two Years
37% were board chairs (29)	69% had reviewed or approved a strategic plan (44)
24% were board members (19)	55% had reviewed or approved a succession plan (35)
17% were search or transition chairs (13)	53% had reviewed or approved a board succession plan (33)
10% were search or transition committee members (8)	98% had reviewed or approved an organizational budget (60)
Respondents were affiliated 7.9 years on average with nonprofit organization	71% had conducted a performance evaluation of the executive (44)
<b>Board Profile</b>	57% participated in board development or training (36)
14 members on average per board	71% reviewed board roles and responsibilities (45)
88% had an executive committee (56)	57% evaluated board functioning and activities (36)
3.9 years average tenure of board chair	84% monitored mission performance for the nonprofit (52)
<b>Organization Profile</b>	
\$2.45 million average budget	
14 full time staff on average & 5 part-time staff	

*About the Executive Turnover Event*

Respondents were next asked about the executive turnover event for which they were currently recruiting. The outgoing executive was reported as serving 9.6 years on average and six of the outgoing executives (10%) were reported as the nonprofit’s founder. 71% (n=45) of the turnover events were reported for voluntary reasons, and 54% (n=26) of the outgoing executives planned to remain after the new executive begins. Most commonly these outgoing executives will continue to serve as a consult to the new executive (50%, n=13) or complete a short term project (31%, n=8). Respondents were also asked about other organizational events that the executive transition may have triggered, and most commonly, respondents reported positive outcomes for the organization. 25% reported a positive community response (n=16), and 14% reported a renewed commitment from donors or funders (n=9). 22% of the respondents experienced voluntary staff turnover extending from the executive’s transition (n=14).

*Preparing for and Managing the Executive Transition*

Respondents also described their preparations and management of the executive turnover event. Prior to the announcement of the executive’s transition, boards most commonly discussed the transition with the outgoing executive (78%, n=46) and reactively prepared a succession plan (59%, n=34). The transition prompted a quarter of respondents to consider prospects for consolidation or merger of the nonprofit (24%, n=14). Boards took 4.5 months on

average to get organized prior to commencing the new executive recruitment, and 50% managed the transition on their own (n=32). During these transitions, only 40% of boards appointed an interim executive (n=25). Of those not appointing an executive, 55% reported there was planned overlap between the outgoing and the incoming executives.

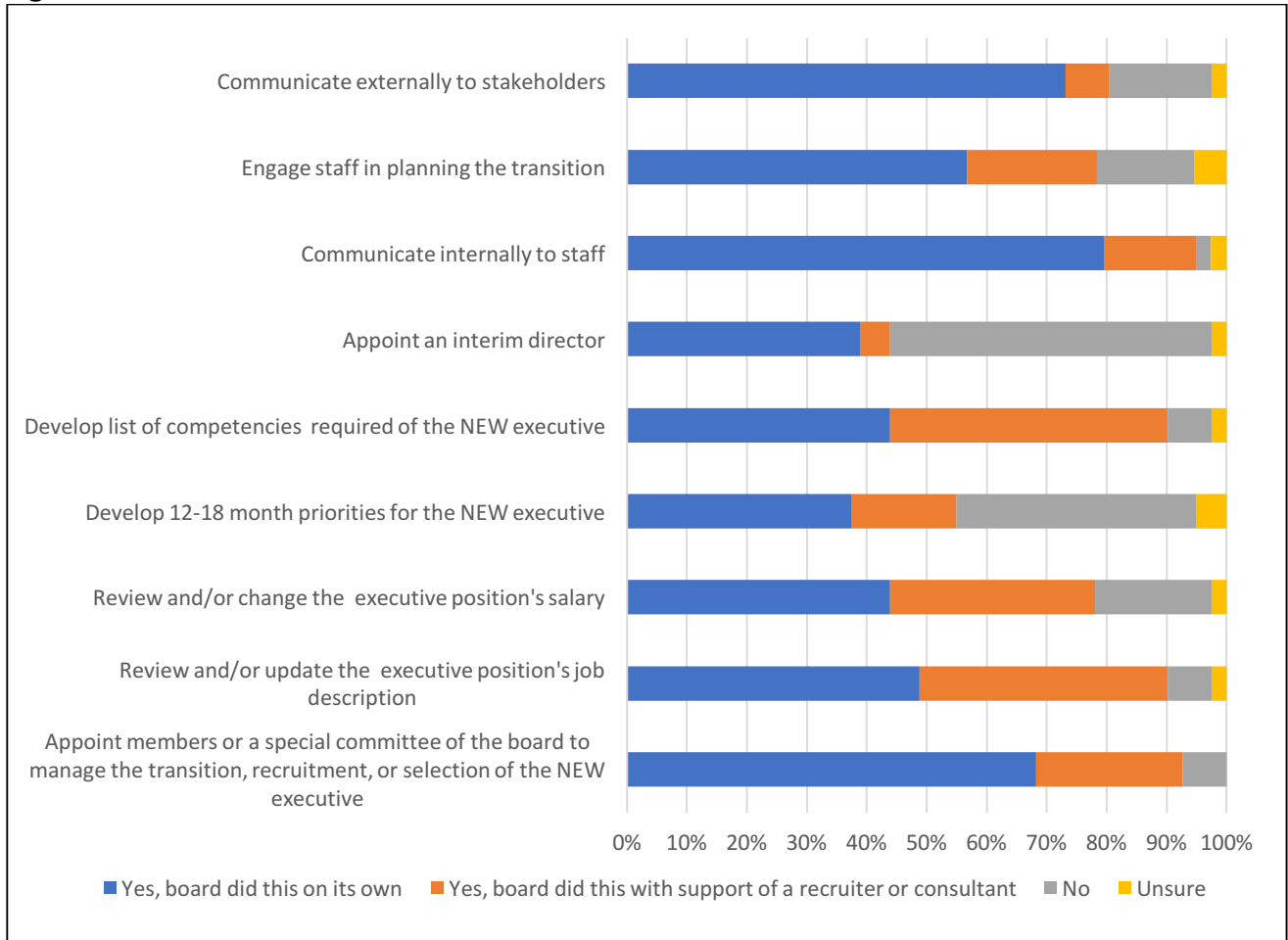
In describing why they either managed the transition independently or with the support of a recruiter or consultants, boards described it had to do with their perceived level of expertise for managing the transition (28%, n=17). Additionally, 15% indicated that their decision was based on anticipated money savings (n=9).

Boards reported limiting the role of the nonprofit staff in the transition to receiving updates (69%, n=44), but 45% did include staff in screening and/or interviews with finalists (n=29). Also, 17% of boards did not include staff in the search or recruitment (n=11). Figure 1 identifies a range of activities undertaken during the executive transition along with the parties responsible for leading these efforts. The most infrequently reported activities include appointing an interim executive and planning priorities for the new executive.

**Table 2: Preparing for and Managing the Executive Transition**

<b>Preparing for the Transition</b>	<b>Reason for Transition Approach</b>
19% authorized funding for the outgoing executive to work with a consultant or coach (11)	28% felt board expertise sufficient to manage transition (17)
78% discussed the transition with the outgoing executive (46)	11% had prior experience with transitions (7)
58% prepared an executive succession plan or policy (34)	23% wanted additional expertise for executive transition (14)
24% discussed prospects of organizational consolidation or merger (14)	15% wanted to save money (9)
	8% wanted to expand network for recruiting (5)
<b>Managing the Transition</b>	<b>Including Staff in the Transition</b>
Average 4.5 months lapse between beginning transition process and actively recruiting new executive	69% limited staff role to receiving updates (44)
50% of boards managed the transition on their own (32)	27% included staff on search or transition committee (17)
15% hired an executive transition consultant (10)	45% included staff in screening and/or interviews with finalists (29)
23% hired an executive recruiter/search firm (15)	45% had staff provide feedback about requirements for new executive (29)
	17% did not include staff in search or recruitment (11)
40% appointed an Interim Executive (25)	
50% of interims were other internal staff (9)	
33% of interims were external consultants (6)	
17% of interims were board members (3)	

**Figure 1: Executive Transition Activities**



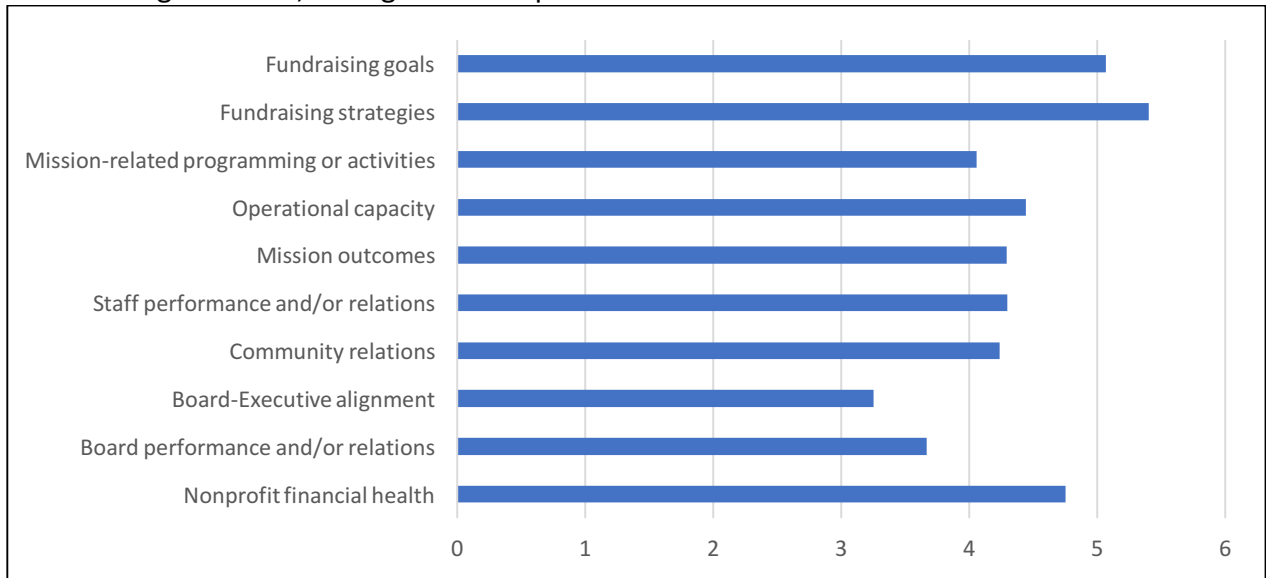
*Outcomes Desired from the Executive Transition*

Finally, respondents were asked a series of questions about the preparations for and the outcomes they desired from the executive transition. First boards had a general consensus about the strategic priorities for their nonprofit and the desired competencies of their executives (5.95 and 6 respectively out of a scale of 7 indicating strong agreement that the board had consensus about each point). Respondents also indicated if they were seeking to grow, stabilize and turnaround their nonprofit through the appointment of the new executive. Most commonly, respondents indicated growth was the objective (65%, n=36), followed by stability (22%, n=12), and turn-around (13%, n=7).

Next, respondents were asked about the desired outcomes the Board seeks to accomplish under their executive. Not surprisingly, financial related objectives, including fundraising and the nonprofit’s financial health dominated these priorities. These priorities are summarized in Figure 2, and respondents indicated on a scale of 1 to 7 if no change was needed to significant improvement desired. Thus, the higher the count associated with each item, the greater emphasis to each outcome was desired.

**Figure 2: Outcomes Board Seeks with Transition**

1= No Change Needed, 7 = Significant Improvement Desired



Finally, respondents were asked about the prioritized requirements for their new executive, and the priorities in order were the following:

1. Fundraising track-record
2. Mission expertise
3. Leading growth and expansion
4. External relations/communications skills
5. Financial management and business acumen
6. Organizational collaboration skills or experience
7. Public policy acumen/politically savvy
8. Staff talent development and performance management
9. Marketing/increase visibility of organization
10. Networking skills
11. Potential for long executive tenure

### **Study Next Steps**

The results presented herein are preliminary and data collection is ongoing from boards currently recruiting or having recently recruited an executive. As responses accrue, these findings will be updated and additional analysis and discussion will be developed, including parsing the data according to the transition approach (i.e. whether an executive transition consultant or recruiter was retained). Further, survey respondents indicated their willingness to participate in a follow up interview and these interviews will be conducted during winter 2017-18. Finally, the respondents to this initial survey will be asked a year following to

participate in another survey which will ask about the outcomes the transition achieved so that the plans, management of a transition, and the outcomes of a transition may be jointly understood.

### **About the Study Team**

The study team included both nonprofit practice and research expertise:

**Tom Adams, MSW:** Tom is a director with Raffa PC, a national consulting and finance company. He co-founded TransitionGuides, a consulting company which helped lead the adaptation of executive search and succession planning to nonprofit organizations. Tom has led field research projects funded by the W. K. Kellogg and Annie E Casey Foundations focused on executive transition. He is the author of “The Nonprofit Leadership Transition and Development Guide” (Jossey Bass 2010) and numerous articles and monographs on leadership transition and related topics.

**Dennis McMillian:** Dennis has held numerous nonprofit positions, including as CEO, and helped form the The Foraker Group with the mission of building sustainability and organizational capacity. During his career, he’s trained thousands of professionals and volunteers, spoken at numerous conferences and consulted across America, Canada, Asia and Russia. In 2013, Foraker published his book, *Focus on Sustainability, A Nonprofit’s Journey*. In June 2015 he stepped down at the CEO at Foraker but continues to consult nonprofits in Alaska and around the country. He serves on numerous national nonprofit committees and is a regular speaker at regional and national conferences.

**Amanda J. Stewart, PhD:** Amanda is an Assistant Professor at North Carolina State University in the School of Public and International Affairs. Nonprofit executive turnover has been a central interest of her research agenda, including publications and her dissertation research on the performance implications and moderating factors of nonprofit executive turnover.

**Tim Wolfred, Psy.D.:** Following a 25-year career as a nonprofit executive, Tim founded the executive transitions consulting service at CompassPoint Nonprofit Services in San Francisco in 1997 and managed it for 14 years. He authored the 2009 book “Managing Executive Transitions: A Guide for Nonprofits” and has published several monographs relating to executive leadership and succession planning.