

# NONPROFIT FOUNDER DEPARTURES

## Five Challenges; Five Novel Solutions

**Nonprofit leadership changes that involve the departure of the founding chief executive are notoriously thorny and can test the strength of an organization.** Ineffectively managed transitions can diminish organizational effectiveness and the quality of programs, and can even result in the dissolution of a nonprofit. But when deftly managed and carefully planned, these transitions can be opportunities to strengthen the nonprofit organization. In fact, they can be a turning point, one that leads to new directions and growth.

Transitions are most effective when there is a concrete plan pre-established and then implemented by the board. Many organizations find it helpful to work through the process with the assistance of a seasoned organizational development consultant. Listed below are the five biggest challenges an organization confronts when a founding executive director leaves a nonprofit and summarizes a planning and preparation process to facilitate a successful leadership transfer.

### FOUNDING LEADERSHIP TRANSITION CHALLENGES AND HOW TO ADDRESS THEM

#### 1. Stakeholders may fear that the organization will flounder without the founder.

*Challenge:* The founding chief executive is usually the backbone of the organization, the visionary and the guide to the organization's future. Frequently, the organization's identity may be built around the founding chief executive.

*Addressing the challenge:* Implementing a transition process focused on the organization's mission and identity will confirm to stakeholders the centrality of the organization. Additionally, when the board assumes a strong, thoughtful role in planning and implementing the transition process, the message to stakeholders will be clear: The leadership of the organization is solid, and the organization is sustainable without its founder. In fact, a new chief executive will provide the organization with an opportunity to further the mission and the organization's impact through growth and change.

#### 2. The organization may not have the resources to hire the board's candidate of choice for the position.

*Challenge:* Because founders often prefer to invest resources in the organization rather than in their own compensation, this can result in the top position's salary and benefits package being below market rates. The unintended consequence of the founder's generosity is that recruiting and retaining the new chief executive may require a substantial increase in the compensation package for the position.

*Addressing the challenge:* The board has several options to meet this challenge, including seeking a capacity-building grant from a funder that is invested in the organization, conducting a one-time withdrawal from the organization's reserves, and/or initiating a fundraising campaign. Simultaneously, the board may wish to assess the organization's benefits structure and professional development opportunities for all staff.

### 3. Organizational funding may be dependent upon the founding chief executive's network and relationships.

*Challenge:* Founding chief executives typically rally their personal networks to support their vision and invest in their organizations. As they grow the organization, they expand their networks and deepen relationships with funders. In many cases, the founding chief executive may be the only person in the organization who has a strong relationship with its biggest donors.

*Addressing the challenge:* Meeting this challenge will take time. A gradual process of personal relationship transfer with funders will provide continuity and give funders confidence in the organization's future. Beginning to build a broader network, including a more diverse board recruited by existing board members rather than the founder, will move the focus away from the founder. In addition, creating an advisory group with the aim of developing a wider network of supporters will provide more partnership opportunities and will vary the organization's skill set. Furthermore, diversifying funding will be critical to addressing this challenge, such as expanding beyond supporters with relationships to the founder to engage other individual donors, corporate sponsors, and private and government funders.

### 4. Staff may fear change, and morale might suffer.

*Challenge:* Staff morale may suffer when a founder announces his/her departure. In most cases, the founder has been the visionary of the organization, has seen the organization through its most challenging times, and has shouldered the most difficult responsibilities. Staff members may question a future without their founder and some may explore other professional opportunities.

*Addressing the challenge:* Regular, clear communication from the board to the staff about the status of the leadership transition process will help allay concerns. In addition, soliciting input from staff members about new leadership or planning details will make them feel more invested and more confident about the future of the organization.

### 5. Organizational structures and systems may require strengthening.

*Challenge:* A founder's entrepreneurial nature has many benefits, but sometimes his/her external focus may come at the expense of establishing internal structures and operational systems. When the founder is at the helm, these organizational structures may not seem necessary; upon her/his departure, however, a lack of clear processes and systems for leadership and program operation could hinder the organization's ability to continue to thrive.

*Addressing the challenge:* Prior to the founder's departure, the board needs to assess any gaps in internal organizational structures. The results of this assessment should then be a core component of the leadership transition plan, which should address the organization's infrastructure, such as financial systems, performance measurements, monitoring and evaluation systems, and other internal processes. The transition plan should include strategies to fill any gaps detected.

## LEADERSHIP TRANSITION PLANNING PROCESS

On the following page is a schematic that describes an effective leadership transition process. This process often starts with the board hiring an organizational development consultant and establishing a temporary transition task force comprised of five or six board members and a few outside stakeholders in the organization. It is staffed by the consultant and charged with three complex tasks: 1) Determining whether to hire an interim executive director, 2) Recruiting the new chief executive, and 3) Developing a leadership transfer plan that clearly delineates timelines, deliverables, and accountability.

## LEADERSHIP TRANSITION SCHEMATIC

### CLEAR COMMUNICATION AND TRANSPARENCY

#### Organizational assessment

- Founder and board conduct thorough organizational assessment.
- Review finances.
- Review key staff, organizational competencies, and programmatic priorities.

#### Create plan for leadership transfer

- Founder and board collaboratively develop a plan for leadership transfer that clearly defines deliverables, timeline, and accountability.

#### Fundraising period

- An extended period of fundraising may be required to support a new CEO's salary.

#### Build broader and diversified network of funders

- Cultivate a broader network of funders – steps include recruiting new board members, creating an advisory task force, etc.
- Develop a more diverse funding stream – steps include obtaining private and converment grants and corporate sponsors.

#### Create SOPs

- Review and/or establish current systems, including performance management, financial accountability, program evaluation, grant reporting, and donor management.

#### Tandem working period with founder

- New CEO should work in tandem with the founder for an extended period of time to facilitate the effective transfer of relationships and processes.

## NONPROFIT FOUNDER DEPARTURES: FIVE CHALLENGES; FIVE NOVEL SOLUTIONS

Other specific tasks overseen by the board or assigned by the board to the transition task force and consultant during the transition period will include the following:

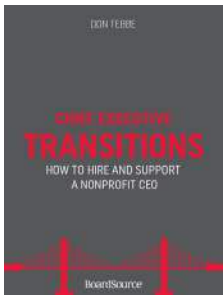
- Creating and implementing a plan to communicate with stakeholders, funders, staff, and the general community about the transition and the status of the organization; communication should be clear and transparency is paramount.
- An assessment of organizational strengths and weaknesses, resources and competencies, areas for organizational and programmatic growth, the organization's competition, and the board's effectiveness.
- Development of a fundraising plan to diversify revenue streams, develop a wider network of funders, and support the new chief executive's compensation package.
- Identification of gaps in current organizational systems and development of a plan to create new and/or strengthen existing systems.
- Planning for onboarding the new chief executive, which may include a time for the founder and new chief executive to work in tandem to facilitate learning and effectively transfer relationships.

## CONCLUSION

Successful transitions are board-driven, often with assistance from a consultant who can help moderate the emotions that arise during a founder's departure. A well-managed leadership transition can provide organizations with a unique opportunity to advance their mission and further their impact. Transitions are an opportunity to celebrate the tremendous work of the founder; foster dialogue about the mission, vision, and values of the organization; and encourage a well thought-out succession plan for the next generation of leadership.

## Resources

Transitions encompass several stages that this resource does not address, such as the details of recruiting and onboarding the new executive director. Below is a list of additional resources that provide further information about the details of leadership transition.



[\*Chief Executive Transitions: How to Hire and Support a Nonprofit CEO\*](#)

The Annie E. Casey Foundation and the Evelyn and Walter Haas Jr. Fund have developed a [series of monographs on executive transitions management](#) that outline their approach.

[The Evolution of Executive Transition and Allied Practices: A Call for Service Integration](#)

[“Managing Transitions” by William Bridges](#)

[Bridges' Transition Model: Guiding People Through Change](#)

Leadership succession resources available at [www.exponentphilanthropy.org](http://www.exponentphilanthropy.org)

## ABOUT THE AUTHORS

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