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FOUNDATION

The Business & Spirit of Philanthropy in Canada 

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Markham, ON L3P 1Y2
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Successful Succession



BY CYNTHIA ARMOUR, CFRE

S ometime in the mid-1990s I was facilitating a planning exercise with a small charity's board. The Executive Director informed me she was retiring in December after more than 25 years running the organization. She'd given one year's notice and it was now six months in; to her knowledge, the board hadn't begun any efforts to fill her position.

I recall being surprised that during the brainstorming exercise no mention of her imminent departure was identified. As people ran out of suggestions to place in the "swot" quadrants, I casually mentioned, "Does anyone feel the ED's fast-approaching retirement might be a threat to the organization?" She quickly piped in and added "or an

opportunity!" That was the day my interest in succession planning took root.

Leadership makes or breaks results

Putting the necessary policies and procedures in place to ensure your nonprofit has an orderly leadership transition will help prevent chaos during vulnerable times. Over the passing decades I've observed a general avoidance of these important tasks, despite the inevitable aging of the largest generational cohort. The leadership of any organization will make or break its results. How is it possible that we put the organization and more importantly, those it serves at risk by sabotaging our ability to successfully "pass the torch"?

I'm not only referring to the "chief executive" role (ED or

CEO interchangeably) and the huge impact on our sector of retiring baby boomers...further fuelled by pandemic burnout and The Great Resignation (in charities and beyond). Leadership includes the board of directors and filling those shoes is increasingly difficult. However, board succession will have to be a topic for another discussion.

Today I'm concerned about the stability and continuity of so many organizations whose leadership teams have failed to build upon the tenuous strand their success depends upon.

Affordable leadership training and support

It turned out that the board of the above-mentioned charity didn't know where to start in their search for a new ED and that reality totally paralyzed them. Additionally, they were located in a remote part of Ontario (Canada) destined to make their search even more challenging (which just reinforces why they should have been thinking about replacement long before her retirement was looming.)

I was travelling the province in those days as a fundraising trainer and quickly realized that fundraising problems usually stem from inexperienced leadership (and wishful thinking). Thanks to a significant capacity-building grant, access to my services was a "benefit of membership" in a provincial association. We were able to broaden training to cover governance 101 and include risk management.

I welcome and applaud affordable education for those committed to a cause. Since the pandemic, I've taken two extraordinary courses (now online) with Third Sector Company based in Seattle. I'm a lifelong learner who's continued my studies for the last 40+ years and I'm totally enthused by the thought-provoking knowledge I've gained through their academies, roundtables, case studies and research-to-practice sessions. Perhaps the most enlightening moments come from the discussions with people across North America as we attempt to put theory into practice. The bonus for Canadians is, in a gesture to be equitable they accept our tuition at par.

The board's role in choosing the right leader

Nonprofit board members have a number of critical (often misunderstood) responsibilities and one of the most important ones is the selection and support of the chief executive. They have a few options: promote from within; conduct the search themselves (with inadequate expertise for

the task?); retain an executive search firm with whom a hiring team works; or consider an interim executive. Done properly, the board's search will have lasting benefits that spread like ripples within and beyond the organization; done hastily or naively, the costs go well beyond the financial ramifications (which, according to various researched sources spanned 30 percent of the employee's first year wages to 213 percent of their annual salary...suffice it to say, it's expensive!)

The non-monetary costs of a bad hire are potentially even more expensive than a bruised budget. Consider everyone's time required to recruit more than once (Conference Board of Canada calculates the average time-to-hire a chief executive at 15 weeks), along with the added supervision, documentation and reporting necessary when a candidate doesn't live up to legitimate (or idealistic) expectations and the toll that takes on competent employees who take up the slack. The wrong leader can result in reduced productivity and momentum, a potentially-damaged reputation, lost staff, volunteer, client,

donor or funder confidence, decreased team effort, or low staff and board morale triggering a further exodus. Sadly, there is a generally-oppressive atmosphere that doesn't inspire confidence, or attract the talent necessary to get the organization out of the doldrums (i.e. stuck on windless waters!) Recovering from such drastic results can take years.

Finding the right individual to lead your organization,

particularly in these uncertain times requires a strategic and coordinated team effort. Ideally leadership development is imbedded in your organizational culture — rather than an episodic event instigated by a staff member's planned or sudden departure? If your board has yet to embrace the priority of succession planning and supported the steps necessary to foster the growth of leaders from within, all the more reason to consider calling in the experts. In the words of one of my Third Sector colleagues "this is chess not checkers!"

Interim Executives - A misunderstood term and an evolving calling

In the first class of the Interim Executives Academy Jeffrey Wilcox said, "Think of yourselves as emergency room physicians". I immediately thought "triage" and have since concluded (after 3+ decades of examination) many not-for-profits are unknowingly hemorrhaging internally, which means their life-threatening issues aren't immediately visible (to them or potential employees).

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One article I found useful was entitled *Interim Director: Place Holder or Catalyst for Change*, obviously with two entirely different outcomes. To reinforce the confusion, many of the interim job postings I found used “acting” and “interim” interchangeably and upon further investigation, one blog said neither title is desirable on your resume because they suggest impermanence; it failed to acknowledge that some leaders are inspiring agents of change and can navigate resistance with patience, respect and support.

My colleague Jane Garthson, who introduced me to Third Sector Company (and surpasses my lifelong learning pursuits), provided some insightful reflections. She’s been an Interim ED at least three times so I asked her what she’d do differently as a graduate of the Academy. Her reply was to build in far more structure and reporting mechanisms that she wished she’d known to do during her previous contracts.

Jane’s perspective and so many others I’ve heard from who’ve been interims prior to our studies together have expressed similar sentiments. Key principles that ground interim management are that it’s purposeful, transformational, methodical and profound. With thirteen protocols and six phases of strategic interim leadership being constantly reinforced, this work has been guided by respected experts who’ve collaborated to evolve this professional calling.

Despite my constant curiosity, decades of studies and 31 years of consulting, I haven’t experienced such an intentional, practical and ethical approach that has also taught me volumes about JEDI (justice, equity, diversity & inclusion). An interim executive is not a consultant, even if we share some of the same talents. If I pursued this role I’d need to know when to delegate so I don’t venture down a path of familiarity and miss a signal in an area I’m less confident. Finally, interim executives are never prospective applicants and nor do they want the full-time job; their role (ideally 9 months and often 12 months or more) is to help ensure the success of their successor!

Personally, I prefer the term “transitional leaders” because I value and admire that their priority is to bridge the gap between the organization’s past and future. This is a noble role that challenges even the most highly skilled leaders and every one of them I’ve met over the past year is still motivated to learn and share their expertise (and scars for educational purposes) with their peers.

I’ll admit that my desire to rebrand this role may fall on

deaf ears, despite its evolving nature. It seems to have been a misnomer (imho) for many years. There’s even a 20 year old Institute of Interim Management in the UK complete with a Code of Conduct and an interesting survey online that’s worth investigating.

The benefits of a transitional leader

Let’s reframe the challenge and get back into the emergency room. Just because ER physicians can’t see an open wound doesn’t mean internal hemorrhaging isn’t ruled out without meticulous and skilled examination. Finding your next chief executive is a rare opportunity, particularly in cases of founder’s or long-term leader’s departures. Any CEO who’s been in that role for at least 5 years will have influenced the organizational culture significantly. It’s worth the investment to let an objective expert, working with

a selected transition team, take your organization’s “vital signs” before making any hasty and potentially (or inevitably) costly decisions. Leaders who follow in the footsteps of a veteran ED often become an “interim” whether intentional or not!

What differentiates a transitional leader from a newly hired ED is the intended interim is a skilled, unbiased and sensitive “truth-teller” with an extraordinary knack for questioning, listening, actually hearing and responding; they understand resistance to change and maintain the clear purpose of preparing the organization and its team for the future lead role.

That depth and breadth of objective honesty isn’t possible for a permanent CEO who is not only on a steep learning curve, they must establish long-term relationships with staff, board, clients, volunteers and investors. Truth telling from their perspective is frequently detrimental.

While a new hire takes time to get oriented and create a (pleasing) plan for their first hundred days, the transitional interim can hit the ground running with specialized skills that meet unique current needs. Their methodical process follows a proven strategy that builds mission alignment, creates short-term work plans and offers solutions to the most demanding challenges. By the very nature of their temporary role they can instill a sense of urgency. Finally and perhaps most important to the board, the transitional leader is there to help the organization identify and successfully select the right permanent hire.

“Truth-telling from their perspective is frequently detrimental.”

What's the cost?

It depends. We've discussed the less tangible costs of how the organization's culture informs its actions, the impact of well-meaning but inexperienced volunteers possibly making the wrong choice, reduced morale, productivity and potential resignations of dedicated staff and volunteers.

What we haven't covered is the current landscape of supply and demand. We're still learning about the consequences of The Great Resignation, pandemic burnout and increased turnover as baby boomers retire. All of that leaves a void of qualified candidates; this leadership predicament has been a growing concern long before COVID intensified the problem. Unfortunately, the sector hasn't adequately invested in fostering the next generation of leaders so there's a shortage of emerging talent at the top.

I wish there was a simple answer. The good news is your cost/benefit (fiduciary), qualitative/quantitative (strategic) analyses will require a deeper-dive-dialogue (generative) to explore what is possible as opposed to what is. (Search Governance as Leadership for more information.) Chait, Ryan and Taylor present the benefits of boards functioning in all three modes but they recognize that many organizational issues are examined through a fiduciary lens so cross-training is necessary to develop muscle memory and reduce one mode dominating your perspectives.

Engaging in deeper inquiry, exploring root causes, values, and optional courses of action is complex. This generative

investigation encourages your team to reframe the issue and would be a worthwhile discussion to explore during a board retreat.

If you're at a loss for what to ask each other try searching the Chartered Professional Accountants Canada (CPA) 20 Questions Directors of Not-for-Profit Organizations Should Ask About CEO Succession and you might also want to look for the same mouthful of a title "...About Human Resources". I can assure you, building consensus will keep you focussed on what matters most.

The bottom line is you need to consider the value of the job you're filling rather than just the cost. Of course the financial expenditure might appear to be more than simply hiring your next ED but when you factor in the transformational potential — at a time when the organization is at its most vulnerable — successful succession is a priceless opportunity. **F**

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Published in Foundation Magazine
 November/December 2021

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