



The  **Neighborhood
Partnership Fund**

*Succession Planning
Project*
FINAL REPORT
February 6, 2006



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A Project of
The Neighborhood Partnership Fund

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NPF Succession Planning Project Final Report

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I. EXECUTIVE SUMMARY

Oregon's Community Development Corporations benefit from the skills and experience of many long-term Executive Directors—some nearing retirement age. In March of 2004, the Neighborhood Partnership Fund sponsored a workshop called "Succession Planning for Successful Transitions." Based on the strong interest in this topic among CDCs, NPF contracted with consultants Lynn Youngbar and Paula Manley to undertake a Succession Planning Project that would explore how to best implement executive succession planning in the community development field.

PROJECT PURPOSE AND METHODS

The purpose of the project was to learn more about the readiness of Oregon CDCs to engage in succession planning, to develop and "pilot" a succession planning process with two CDCs, and to share what is learned with all NPF grantees. Because executive succession planning is fundamentally concerned with issues of personal and organizational change, the project was guided by the principles of Appreciative Inquiry, which seeks to understand and carry forward positive aspects of the past.

The first phase of the project, in June of 2005, involved an online survey of CDC Executive Directors. Fifteen executives took part. Board Chairs and Executive Directors from eleven CDCs were then interviewed in July and August to further explore their organization's histories, systems, strengths and relationship to succession planning. In the final phase of the project, from September to December 2005, two CDCs participated in a hands-on succession planning process culminating in the creation of customized succession plans (See Attachment E for a sample plan).

FINDINGS FROM ONLINE SURVEY AND INTERVIEWS

Participants

Of the fifteen CDC Executive Directors who participated in the online survey, two-thirds have been in their current position for five or more years; nearly one third have been in their current position for fifteen or more years. Online survey respondents represented a cross-section of organization budget and staff sizes. Participants in telephone interviews were selected by NPF to achieve a representative cross-section of Oregon CDCs. Both the Board Chair and Executive Director from each of eleven participating CDCs were

interviewed. The two CDCs that participated in developing succession plans were Human Solutions and Central City Concern.

Organizational Accomplishments

In highlighting their proudest accomplishments, interviewees emphasized the roles CDCs have played in strengthening the fabric of their communities: providing affordable housing in combination with other services, working as community partners, and serving as advocates. Specific themes included stories of overcoming challenges, growing in response to community needs, and serving particular groups that have not been well-served by traditional housing markets.

"We went through very tough financial times... Even during the most difficult period, we were building housing and fulfilling our mission."

Current State of CDCs

Participants in the survey and interviews described the current state of their CDCs, reporting on several aspects of organizational life that are relevant to succession planning:

- **Board development:** Most participating CDCs have some Board development systems in place, although more attention is needed in board training, particularly in financial oversight and fundraising, and strategic recruitment of board members.
- **Strategic planning:** Eighty percent (80%) of participants in the online survey have a current Strategic Plan, although there is great variety in the level of detail, participation and frequency of planning efforts.
- **Staff development and retention:** Nearly all CDCs provide professional development opportunities for managers and staff. Nearly two-thirds of respondents rated employee compensation levels as "excellent" or "good," and none rated their organizations' compensation as "poor." Executive Directors take a vacation at least once a year; however all (100%) reported working more than 40 hours a week with many routinely working more than 50 hours each week.
- **Fundraising:** CDCs depend heavily on staff for fundraising and the reputations of Executive Directors are instrumental. Nearly half of the participating CDCs have Board involvement with donors and fundraising events that are the primary responsibility of the Board. Some Board Chairs have experienced resistance from other Board members about getting involved in any fundraising activities.
- **Financial management:** Boards of all participating CDCs review financial statements on a regular basis and seventy-five percent (75%) have detailed, written fiscal policies.

"In fundraising we are probably more reliant on the Executive Director and her network than we want to admit."

- Public policy monitoring and advocacy: Executive Directors most often take the lead in monitoring public policy developments and recommending action. Oregon's CDC executives include national leaders in the field who have been asked to testify in Congress.

"We need to develop local resources, such as a real estate transfer fee, to replace the federal funds we are losing."

Setting the Stage for Executive Transitions

Participants reported on their CDCs' anticipated Executive Director departure dates, major organizational issues and challenges, current status of succession planning, strengths and barriers to leadership succession, and hopes and visions for successful leadership transitions.

- Three-fourths (75%) of Executive Directors anticipate they will leave their positions within four years. One-fifth (20%) plan to leave in ten years or more.
- Major issues and challenges were diversifying and/or stabilizing funding in light of continuing reductions in government funding; succession planning, including planning for the succession of executives, other senior managers and long-term Board leaders; developing systems and infrastructure; and staff development and retention.
- Twelve of fifteen (82%) online survey respondents do not have an executive succession plan in place, while three (18%) do.

Executive Directors' top concerns about leadership transitions included:

- Fear of losing ground with what has been built up over time.
- Financial sacrifices and/or inadequate resources for retirement.
- Finding a qualified successor or concern that the organization will need to hire more than one person to replace the current executive.
- Uncertainty about what to do next and/or ambivalent about a slower pace or losing professional identity/community.
- Wanting to accomplish more and/or assure that the organization will survive/thrive before leaving.

"I've had to grow into the job, including learning the affordable housing development, advocacy and fundraising aspects. It may be hard to find the right breadth of skills in one person..."

Board Chairs and executives said organizational strengths that will help leadership succession included: internal depth and dedication within the management staff, strong community partnerships, Board commitment, solid track records of accomplishment and sound financial management. Potential barriers to leadership succession were: the diverse range of job duties and relationships managed by current executives, inadequate Executive Director salaries, and the need to build the Board and/or expand Board roles.

Board Chairs hoped executive leadership transitions would involve plenty of lead time and “getting someone as good as our current Executive Director.” Executive Directors hoped for mission-driven successors who would build on organizational accomplishments and maintain long-standing community ties and inclusive organizational cultures.

Board Chairs and executives emphasized the following as major factors in their “future visions” of successful transitions: shoring up organizational systems and finances, conducting succession planning, conducting a thoughtful search process, educating and involving the Board, and developing and maintaining staff leadership.

FINDINGS FROM HANDS-ON SUCCESSION PLAN DEVELOPMENT

In addition to the online survey and interviews, the project involved hands-on succession planning with two CDCs, Central City Concern and Human Solutions. Key findings from the succession planning experiences of these organizations included:

- Succession planning builds solidarity and reduces executive isolation. The process taps the good thinking of many and lessens the Executive Director’s load.
- Setting a departure date focuses the succession effort. A one-to two- year timeline is helpful when a long-term executive is leaving.
- Surfacing core values that will continue beyond the change in leadership eases anxiety.
- Participatory methods, which engage the Board and staff, build ownership of succession plans.
- For CDCs with well-established executives, succession planning may bring into focus the need to strengthen organizational infrastructure and management capacity.
- Succession planning supports acknowledgement of a long-term executive’s legacy.
- Both CDCs are interested in exploring social enterprise models to fund their operations while providing job opportunities for clients/residents.

IMPLICATIONS AND RECOMMENDATIONS

The following overarching implications arose from the NPF Succession Planning Project: (1) Succession planning support is needed by CDCs in the near-term, as two-thirds of participating executives anticipated they would leave their positions within four years and a one-to two-year planning horizon is helpful for complex organizations with long-term leaders. (2) In approaching succession planning, an appreciative or asset-based approach is important so that the mission-driven commitment and accomplishments of CDCs are in the forefront in building momentum for change. (3) Finally, the experiences of participating CDCs suggest that increased community needs without commensurate funding have contributed to over-stretched and under-resourced organizations: This is a challenge for the community development field, not just individual organizations.

Recommendations for Executive Directors

- Develop the staff. Readiness for leadership succession is strengthened through ongoing staff development and cultivation of emerging leaders.
- Initiate emergency succession planning to determine how key positions will be “backed up” on a short-term basis.
- Consider a sabbatical or other leave of absence for long-term executives.
- Educate stakeholders about organizational infrastructure requirements and use succession planning as a vehicle to plan for realistic capacity.
- Maintain a manageable workload and take care of yourself. Consistent overwork creates risks for individuals and organizations.
- Serve as a partner in developing the Board of Directors. Without a strong Board, organizations are highly vulnerable during executive transitions.
- Welcome succession planning as an opportunity for strategic development.

Recommendations for Boards of Directors

- Get the entire Board on board with succession planning. Recognize that changes in staff leadership are a normal part of organizational development and that succession planning can help the Board prepare for its leadership role in an Executive Director transition.
- Provide support to the Executive Director, including maintaining competitive compensation and encouraging a realistic workload.
- Strengthen the Board’s governance capabilities.
- Attend to Board leadership development and continuity; including grooming Board leadership and assuring that Board terms are staggered so that some long-term members remain in place following an executive transition.

Recommendations for Funders and Technical Assistance Providers

- Support CDCs in succession planning and executive transitions, including providing technical assistance and funding for consulting support.
- Continue to play the role of convener, bringing CDCs together to network, explore trends, develop leadership and collaborate.
- Cultivate emerging staff leaders and experienced Executive Directors by supporting professional development.
- Support organizational restructuring and growth initiatives for CDCs with good track records.
- Recognize the importance of flexible operating funding to help CDCs “catch up” with internal organizational development, which is often outpaced by program growth.
- Pursue pilot projects and practitioner-oriented research on topics of field-wide interest such as social enterprise development.
- Support the advocacy voice of the CDC field to help organizations fulfill their missions over the long haul through influencing public policy.

II. INTRODUCTION

1. About Succession Planning

Executive Director transitions are a fact of life for nonprofit organizations. While poorly managed transitions can result in high costs to organizations and entire communities, a growing body of experience is demonstrating that nonprofits can successfully prepare for and navigate changes in executive leadership. Two basic approaches to executive succession planning have emerged:

- **Emergency succession planning**, which involves codifying backup procedures for fulfilling key executive leadership functions in the event of an Executive Director's unexpected absence or departure, or a planned short-term absence.
- **Succession planning for strategic development**, which involves proactively building the organization, including assessing and strengthening management and governance systems and capabilities. This type of succession planning emphasizes thoughtful planning, education and leadership development to assure organizational sustainability through executive leadership transitions.

2. Project Background and Purpose

Planning for leadership succession is particularly apt for Oregon Community Development Corporations, which benefit from the skills and experience of many long-term Executive Directors—some nearing retirement age. In 2004, the Neighborhood Partnership Fund presented a workshop on Executive Succession Planning for Oregon CDCs and other nonprofits. Based on the strong interest in this workshop, NPF realized that additional succession planning support would be helpful for CDCs.

NPF contracted with consultants Lynn Youngbar and Paula Manley to undertake a Succession Planning Project that would explore how to best implement executive succession planning in the community development industry. The overall project purpose was to learn about the readiness of Oregon CDCs to engage in succession planning, to develop and “pilot” a succession planning process with two CDCs, and to share what is learned, including sample succession plans, with all NPF grantees.

3. Capacity of Consultants

Lynn Youngbar and Paula Manley each have their own consulting practice for nonprofits and public agencies. Youngbar has worked extensively with community development organizations in rural and urban settings. She partnered with NPF in 2004 to design an Appreciative Inquiry process to help CDCs address fundamental issues of long-term survival. Manley's consulting practice focuses on participatory planning and leadership development, with an emphasis on executive transitions. Both consultants are experienced nonprofit Executive Directors and Board leaders. As part of the TACS Executive Transition Services program, they frequently serve as Interim Executive Directors to Oregon nonprofits undergoing changes in executive leadership.

III. METHODS AND PRINCIPLES

The first phase of the NPF Succession Planning Project, in June of 2005, involved an online survey of CDC Executive Directors. In July and August CDC Board Chairs and Executive Directors were interviewed via telephone to further explore the readiness of CDCs for executive succession planning and leadership transitions. The survey and interviews addressed organizational accomplishments and the status of major functions, as well as specific leadership succession issues including the anticipated timing of executive departures, the status of succession plan development, and concerns and hopes about leadership succession.

In the final phase of the project, conducted in the fall of 2005, two CDCs were selected by NPF to participate in a succession planning process that culminated in the creation of a customized succession plan for each organization. The process was guided by a succession planning framework developed by the consultants (See Attachment B). The participating CDCs undertook the following activities to develop their succession plans:

- Consultant review of key organizational documents, such as strategic plans, annual reports, financial statements, Executive Director and Board job descriptions, and annual budgets and workplans.
- A mini-organizational assessment in which a Board-staff Steering Committee prioritized the primary issues to be addressed in succession planning. This included a facilitated dialogue based on key functional areas.
- An exploration of the organization's culture to identify which core values should be carried forward. This involved sharing stories of the organization "at its best" as part of Steering Committee meetings and a succession planning work session.
- A four-hour succession planning work session involving all Board members and senior staff in identifying key strategies, actions and timeframes. This involved story telling, small and large group dialogues using an adaptation of the World Café method, and a group timelining activity.
- A series of three Steering Committee meetings, in which the team worked initially to shape the issues to be addressed in the work session, and in a final meeting reviewed and refined a draft succession plan to synthesize the group's work.

Appreciative Inquiry principles guided the NPF Succession Planning Project's design and implementation. Because executive succession planning is fundamentally concerned with issues of personal and organizational change, an appreciative mindset, which seeks to understand and carry forward positive aspects of the past, provides an appropriate foundation for transition work.

Key Appreciative Inquiry principles that have guided this project include:

- Inquiry starts change. The act of asking questions of an organization or group influences the group.
- People have more confidence and comfort to journey to the future (the unknown) when they carry forward parts of the past (the known).
- If we carry parts of the past forward, they should be what are best about the past.

IV. FINDINGS

1. Findings from Online Survey and Telephone Interviews

A. Characteristics of Participants

Fifteen CDC Executive Directors participated in the online survey. Two-thirds of these executives have been in their current position for five or more years; nearly one third have been in their current position for fifteen or more years. Online survey respondents represented a cross-section of organization budget sizes: Four organizations had budgets between \$250,000 and \$1 million; five had budgets between \$1 and \$2 million; and five had budgets of more than \$2 million. Only one organization reported an annual budget of less than \$250,000. In a similar vein, organization staff size based on the number of Fulltime Equivalent Staff (FTE) staff was spread as follows: Four organizations had 0 to 4 FTE; two had 5 to 9 FTE; one had 10 to 14 FTE; three had 15 to 24 FTE; and five had 25 or more FTE.

Participants in telephone interviews were selected by NPF to achieve a representative cross-section of Oregon CDCs, including diversity in geographic location, organization size and organization “age.” Both the Board Chair and Executive Director from each of eleven participating CDCs were interviewed, providing a blend of governance and management perspectives. Among Executive Director interviewees, tenure in their positions ranged from one year to sixteen years. The tenure of Board Chairs interviewed ranged from two to eighteen years. All but one of the Board Chairs interviewed had at least four years of experience on the Board, and four Chairs had more than a decade of board service with their CDCs.

B. Organizational Accomplishments

Interview participants highlighted similar themes when they were asked, “Looking back on the history of the organization, what are some of its proudest accomplishments?” Their answers emphasized the roles CDCs have played in strengthening the fabric of their communities by providing affordable housing in combination with other services, working as community partners, and serving as advocates. Specific themes included stories of overcoming challenges, growing in response to community needs, and serving particular groups—such as farmworkers, seniors, homeless families and people

with disabilities—who have not been well served by traditional housing markets.

Interviewees highlighted the project work of their CDCs in creating special needs housing, developing senior centers that are service points for community action programs, turning around a portfolio of severely dilapidated properties, and providing housing and services that allow people the opportunity to succeed with their recovery from drug and alcohol addictions.

Among the organizational “survival stories” relayed by interviewees, two Executive Directors reported that their organizations were on the verge of bankruptcy when they took the helm. The Board Chair of another CDC commented, “We went through very tough financial times and even considered closing the doors... Even during the most difficult period, we were building housing and fulfilling our mission.”

The Board Chair of a CDC specializing in farmworker housing highlighted its role in helping to develop leadership capacity and the ability of farmworkers “to take their lives into their own hands.” The organization’s Executive Director noted the CDC’s success in partnering with state agencies and city government, particularly in light of historic resistance toward the idea of developing housing for farmworkers.

Several interviewees reported that their organizations’ proudest accomplishments involved substantially increasing the levels of affordable housing and support services available to their communities.

C. Current State of Participating CDCs

Participants in the online survey and telephone interviews were asked about the current status of several aspects of organizational life that are important to consider as part of executive succession planning: board development, strategic planning, staff development and retention, fundraising, financial management, and public policy monitoring and advocacy.

Board Development

Participants in the survey and interviews reported that most of their organizations have some Board development systems in place (e.g., for Board recruitment, orientation, training and evaluation). However, the level of ongoing attention to Board development varied greatly. Interviewees emphasized that more attention was needed in strategic recruitment, such as recruiting for particular expertise and ethnic diversity, and Board training—particularly in financial oversight and fundraising. The majority of participants reported that their organizations have a mechanism in place for grooming Board

leadership (e.g., a Vice-Chair or Chair-Elect position, mentoring for Board officers, etc.).

Strategic Planning

Nearly eighty percent (80%) of participants in the online survey reported that their organizations have a current Board-approved strategic plan. All but one of the eleven CDCs participating in interviews reported that their organizations routinely participate in strategic planning. However, they noted a great variety in the process, level of detail, and frequency of strategic planning. Interviewees highlighted areas of strength in their strategic planning efforts including articulating the vision; aligning mission, strategy, goals and activities; and regularly tracking plan progress.

Aspects of strategic planning needing further development, according to interviewees, included:

- Creating a mechanism to update the plan when it needs to be changed, e.g., to take advantage of opportunities that were not anticipated
- Linking vision to implementation
- Integrating succession planning within the strategic plan

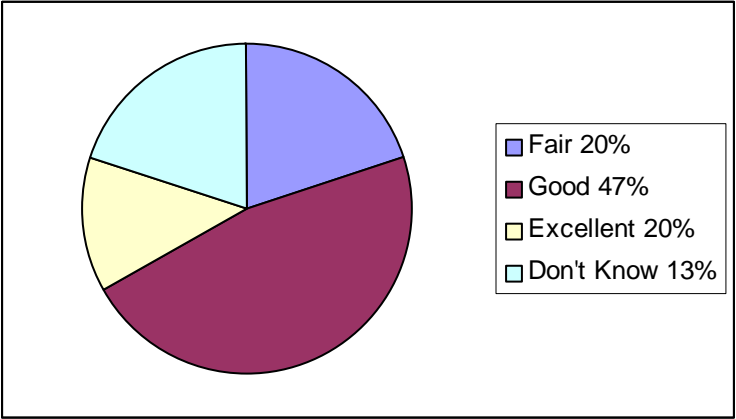
Staff Development and Retention

Fourteen of fifteen survey respondents reported that their organizations provide professional development opportunities for managers and staff in addition to the Executive Director. All eleven CDCs participating in interviews reported that their organizations provide for staff training and professional development. Examples included the following:

- Attendance at local and national conferences
- Involvement in professional networks
- Cross-training
- Attendance at specific trainings offered by NPF, TACS or NeighborWorks
- Participation in Institute for Nonprofit Management coursework at Portland State University
- Peer learning and peer support through involvement in issue-based coalitions and professional networks
- Mentoring
- On-site training (noted by two of the larger CDCs)

Additional staff development and retention issues addressed by the online survey included employee compensation, backup for the Executive Director position, and Executive Director work-life balance. When asked, “Based on the 2004 NPF Salary Study, how would you rate the employee compensation levels at your organization?” two-thirds of survey respondents said “good” or “excellent.” Twenty percent (20%) reported their organization’s compensation levels were “fair,” and thirteen percent (13%) said they didn’t know.

Chart 1.
Rating Employee Compensation
Based on 2004 NPF Salary Study

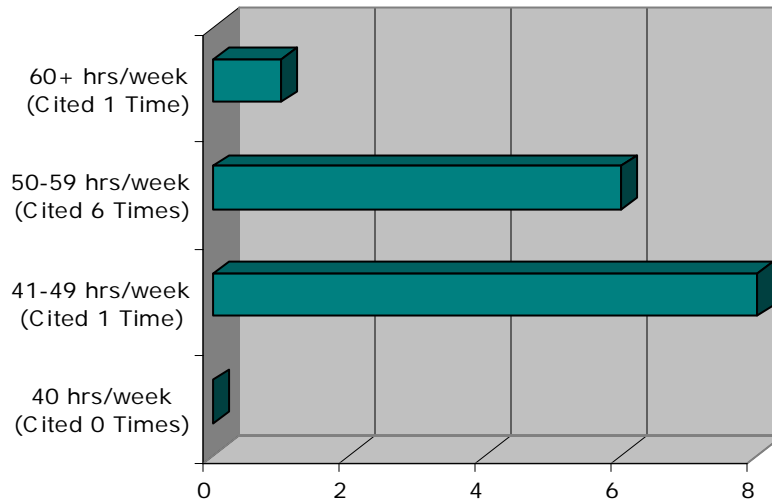


When asked who fulfills the Executive Director job responsibilities in their absence, thirteen of fifteen survey respondents identified other managers or staff members, often in combination; two said their Board Presidents, and one reported that no one fills in during absences since the Executive Director can always be reached by phone in the event of urgent issues.

Seven of fifteen survey respondents reported that managers and/or staff members are cross-trained in some aspects of the Executive Director position. Examples included: grant writing, budget development, bookkeeping, HR, fundraising including donor relations, organizational planning, and maintaining political relationships.

All survey respondents (Executive Directors) reported taking a vacation at least once a year. At the same time, all reported working more than 40 hours a week to fulfill their job duties. Eight estimated that they work an average of 41 to 49 hours per week; six estimated working 50 to 59 hours per week, and one reported working an average of 60 or more hours per week.

Chart 2.
Average Work Week for Executive Directors



Fundraising

Interviewees, including Board Chairs and Executive Directors, said their CDCs depend heavily on staff for fundraising. Several CDCs reported that the reputations of their Executive Directors are very instrumental in fundraising efforts. While some CDCs also have a Development Director on staff, the executive often maintains many key relationships. Most Board Chairs expressed how well their Executive Directors do in developing fundraising relationships. As one Board Chair stated, "In fundraising we are probably more reliant on the Executive Director and her network than we want to admit." Three of eleven Board Chairs interviewed stated they have experienced resistance from other Board members to being involved in fundraising activities.

When asked to estimate the percentage of organizational relationships with funders and donors held primarily with the Executive Director, half of the survey respondents said they hold 75% or more of the funder/donor relationships. The remaining half estimated that they hold ten to fifty percent (10% to 50%) of the primary funder/donor relationships.

Thirteen of fifteen survey respondents reported that managers and/or staff members in addition to the Executive Director are in contact with funders or donors, with the remaining two reporting no staff contact outside of the Executive Director.

Five of the eleven CDCs interviewed said they have donor programs and Board members are expected to make connections with potential donors. At least five CDCs have fundraising events that are the primary responsibility of the Board. Several organizations rely on Board members to team up with the staff in presenting proposals during meetings with foundations and other funders. In two organizations, Board members are involved in writing grants. One organization involves Board members in writing personal thank you notes to donors as part of monthly board meetings.

Financial Management

Three-fourths of survey respondents or seventy-five percent (75%) reported their organizations have detailed, written fiscal policies (e.g., regarding investments, purchasing, accounts payable and receivable, etc.). All survey respondents (100%) said their Boards of Directors reviewed financial statements regularly, and nearly ninety percent (90%) reported that a Board committee had an in-depth understanding of the financial statements and annual budget.

Public Policy Monitoring and Advocacy

In eight of eleven CDCs participating in interviews, Executive Directors take the lead in monitoring public policy developments and recommending action.

Most stated that their organizations have excellent relationships with elected officials and government agencies. In the other two organizations, one CDC plays a very limited role in the policy arena, and one relies on the Board and other staff to fulfill this function in light of the relative newness of the current Executive Director. Of the eight organizations with strong Executive Director leadership, seven also involve other staff in their public policy efforts. Four Board Chairs mentioned that their Executive Directors had national reputations and are involved on the national level; some have been asked to testify in Congress.

Executive Directors and Board Chairs of five CDCs reported that their Boards are actively involved in public policy activities, e.g. writing letters, testifying at hearings and visiting elected officials. In other cases, Board members attend hearings and/or meetings when asked, and sign off on specific advocacy positions as requested by staff.

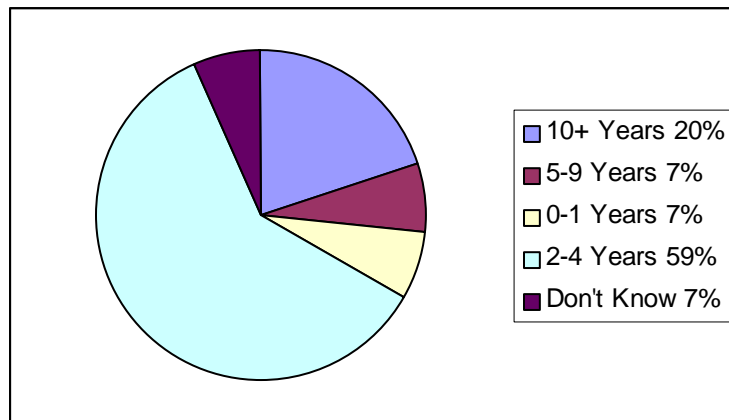
In their responses to the online survey, fourteen of fifteen Executive Directors reported that they are involved in public policy advocacy on behalf of their organization and the field.

D. Setting the Stage for Executive Succession

Executive Director Departure Dates

When asked about their anticipated timeframe for departing from their Executive Director position, more than three-fourths of online survey participants said they are planning to leave their current position within four years. One respondent reported 0-1 years; nine reported 2-4 years; two reported 5-9 years; and three reported 10 or more years.

Chart 3.
Executive Directors' Anticipated Departure Dates



Organizational Issues and Challenges

When asked what they see as the major issues and challenges for their organizations in the next three years, Executive Directors participating in the online survey most frequently cited the following:

- Diversifying and/or stabilizing funding sources (cited 9 times)
- Diminished government funding (cited 6 times)
- Succession planning, including references to planning for succession of the executive, Board leaders, and senior managers (cited 6 times)
- Developing systems/infrastructure (cited 5 times)
- Staffing issues including retaining/developing qualified staff and staff burnout (cited 4 times)

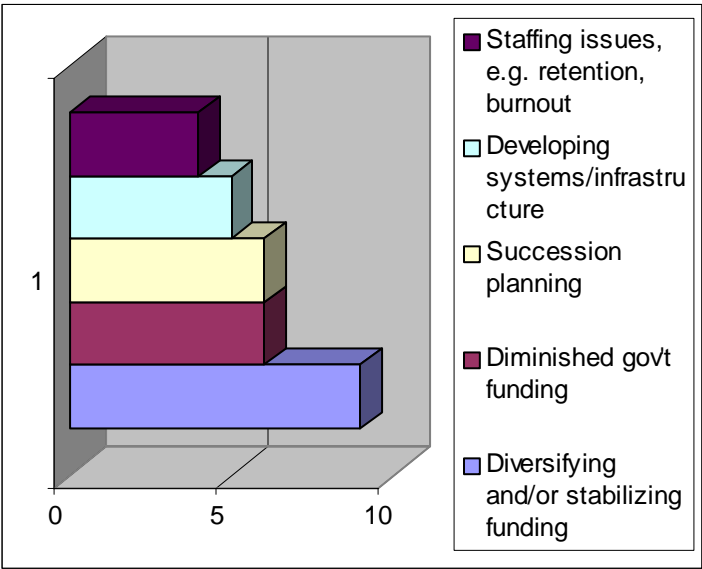
Interview participants, including Board Chairs and Executive Directors, overwhelmingly cited finances and fundraising as their top organizational challenges. Several executives specifically referenced changes in federal funding including cutbacks and/or the potential elimination of Section 8 funding and Community Development Block Grants. They also mentioned the importance of diversifying their sources of unrestricted funds. One specified that new sources of operating funds were needed to create a reserve, enabling the organization to manage cash flow during the highs and lows of its

funding cycle. Another noted, "We need to develop local resources, such as a real estate transfer fee, to replace the federal funds we are losing."

Several Board Chairs also highlighted the challenge of building capacity and retaining effective staff and Board members.

Board Chairs also noted political and policy challenges. One Board Chair noted the challenge of sustaining "political will" on the part of the City and County to fund programs for people who are the hardest to serve. Another said the national political direction was the greatest challenge because federal budget cuts jeopardize the ability of CDCs to do community development.

**Chart 4.
Major Organizational Issues and Challenges for the Next 3 Years**

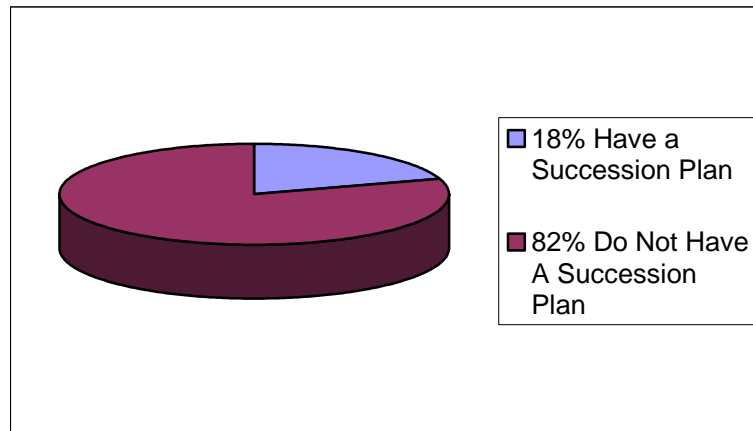


Status of Succession Plan Development

Twelve of fifteen online survey respondents reported that they did not have an Executive Succession Plan in place, while three respondents said they do have a succession plan. Seven of the eleven CDC's represented in the interviews reported they have taken steps toward executive succession planning ranging from researching succession plans to incorporating succession planning within their current strategic planning process. Two organizations have created new staff positions to help shift duties and lighten the load of the Executive Director, and one had a positive experience with an acting director filling in when the Executive Director took a summer vacation. One CDC reported having Board-approved policies and procedures in place for handling short-term absences of the Executive Director and a

defined process for filling the position in the event that the Executive Director is incapacitated.

Chart 5.
Status of Success Plan Development



In three instances, interviewees said participation in the succession planning workshop presented by NPF in 2004 stimulated internal conversations about leadership transitions—including succession planning for senior managers and board leadership as well as the Executive Director.

Top Concerns About Leadership Transitions

Executive Directors responding to the online survey were asked about their top concerns, for themselves and their organizations, associated with their transitions.

Executive Directors said their top concerns relating to the future of their organizations when they leave their positions were:

- Fear of losing ground, diminishing what has been built up over time with programs/services and funder/partner relationships (cited 6 times)
- Finding a qualified successor due to organizational complexity/demands of the job (cited 5 times)
- Not having a successor identified from within (3 times)
- Loss of history/lessons learned and big picture perspective (cited 3 times)
- High cost or lack of resources to hire a qualified person (cited 2 times)
- Continuity on the Board due to turnover of long-term board leaders (cited 2 times)
- Inability to attract top candidates due to inadequate pay and benefits (cited 2 times)
- Organization will need to hire more than one person to replace Executive Director (cited 2 times)

- Maintaining strong fiscal management (cited 2 times)

Executives said their top personal concerns associated with their transitions were as follows:

- Financial sacrifices and/or inadequate resources for retirement (cited 3 times)
- Uncertain about what to do next and/or ambivalent about slower pace or losing professional identity/community (cited 3 times)
- Want to accomplish more and/or assure that the organization will survive/thrive before leaving (cited 3 times)
- Want to continue to grow professionally (cited 3 times)
- Want to have more time for personal life and personal development (cited 3 times)
- May not be able to “let go” (cited 2 times)
- Burnout (cited 2 times)

Strengths and Potential Barriers to Leadership Succession

Interview participants were asked to identify strengths of their organizations that could be helpful to the executive succession process, as well as potential barriers that could hinder the succession process.

Executive Directors and Board Chairs emphasized similar organizational strengths they thought would be assets in an Executive Director succession process:

- Internal depth and dedication within the management staff
- Strong community ties and partnerships
- Cohesive and committed Boards
- Solid track records of accomplishment—rich histories
- Solid financial management systems
- Well trained staff
- Involved Board committees

Interviewees also identified potential barriers that could hinder the executive succession process:

- The diverse range of job duties and relationships managed by current Executive Directors. As one Executive Director with well over a decade of experience on the job explained, “I’ve had to grow into the job, including learning the affordable housing development, advocacy and fundraising aspects. It may be hard to find the right breadth of skills in one person...”
- Inadequate Executive Director salaries. One Board Chair said, “We need to be prepared to raise the salary and educate the Board.” Another commented, “The biggest barrier is salary expectations... and not being able to afford someone of the caliber of the current Executive Director.”
- The need to build the Board: Two organizations highlighted the need for new systems and larger roles for the Board due to

- organizational growth. Another noted the substantial experience and long-term relationships held by the current Board.
- The challenge of following a long-term Executive Director who has performed well.

Hopes and Visions for Successful Leadership Transitions

Four Board Chairs specified that they want to continue in a similar vein with executive leadership at their organizations. For example, two hope the current Executive Director will continue to serve as long as possible, while another hopes an incoming director can “pick up where the current Executive Director leaves off.” Two other Board Chairs said they are hoping for an internal hire, while another voiced the desire for “a thoughtful recruitment process... assuring that someone inside who isn’t qualified doesn’t get the job.” Other hopes articulated by Board Chairs include having plenty of lead time, having a plan “before we need it,” getting written systems in place, and “getting someone as good as our current Executive Director.”

Executive Directors most frequently said they hoped for mission-driven successors who would build on organizational accomplishments and histories while also maintaining inclusive organizational cultures. One executive hoped a successor would “maintain the organization’s reputation and cultural climate based on teamwork.” Another Executive Director emphasized the importance of finding a successor with a strong commitment and long-standing ties to the local community.

Board Chairs and Executive Directors were asked, “Imagine it’s ten years from now and you are on a beach or a mountaintop. Your organization is flourishing with a new Executive Director. What did you or the organization do to make that transition a success?” From the vantage point of an imagined future, interviewees speculated on how their actions set the stage for a successful executive transition. The following themes emerged:

- **Shoring up organizational systems and finances.** Participants emphasized the importance of improving documentation, getting an asset management system in place to maximize cash flow, creating an operating reserve, streamlining the organizational structure to help make the job more manageable for an incoming director, and increasing the salary to attract strong candidates.
- **A thoughtful search process.** Several interviewees emphasized the importance of a well-planned process for recruiting and selecting a new Executive Director, including determining the organization’s needs in advance of the search.
- **Succession planning.** Those interviewed emphasized the importance of succession planning as a factor in successful leadership transitions. One Executive Director exclaimed, “We followed the plan!” including fundraising for the transition costs.

- **Board education and involvement.** Participants highlighted the importance of a clear organizational vision and the need for board engagement—not only in planning and implementing the search, but also in working closely with the incoming executive to provide support and encouragement following the hire.
- **Staff leadership development and retention.** Interviewees emphasized the importance of maintaining solid senior management to assure continuity with the departure of a long-term executive, and reducing dependence on the Executive Director by developing other staff.

2. Findings from Hands-On Succession Plan Development

Working to develop executive succession plans with two CDCs, Human Solutions (HS) and Central City Concern (CCC), provided a rich learning experience for testing and refining a hands-on succession planning process.

A significant difference in the experience of the two organizations was the length of their succession planning horizon. Because the CCC Executive Director’s retirement is two to three years away and his successor has already been named, CCC’s succession planning effort had a focused timeframe. With Human Solutions, since the Executive Director is not planning to retire for seven years or more, the succession planning process provided a lens for overall organizational development to create a more sustainable organization. Both CDCs are large, multi-faceted organizations with long histories and substantial track records of addressing a variety of human needs in addition to affordable housing.

The following are key findings from the succession planning experiences of these two CDCs:

Succession planning builds solidarity and reduces executive isolation.

The process of acknowledging retirement and embarking on succession planning with others reduces the isolation experienced by the Executive Director. The multi-faceted nature of succession planning requires the good thinking of many. The experience of engaging the full Board and senior staff in the process can ease the burden experienced by the executive.

Setting a departure date focuses the succession effort. When an executive transition is anticipated, specifying a timeframe for departure provides a clear focus. This enables the Board and senior staff to anticipate and envision their additional responsibilities, and it allows the executive to begin the process of “letting go.”

Surfacing core values that will continue beyond the change in leadership eases anxiety. Through the process of sharing stories, Human Solutions articulated core values including being accessible

through “providing multi-lingual services and addressing cultural barriers.” Central City Concern highlighted values that have contributed to their success such as “always seeking a better way.” Becoming more conscious of core values such as these is helpful for the Board and staff as they plan for leadership succession: The executive sees that the “heart” of the organization is understood by others and likely to be well-tended beyond his or her tenure; the Board and senior staff are better able to articulate the “intangibles” of the organization as part of identifying and integrating the next Executive Director.

Participatory methods build ownership in succession plans. The participatory methods used for succession planning built ownership in the results and a shared commitment to implementation:

- The involvement of a Board-staff Steering Committee throughout the succession planning process, including assessing key issues to be addressed, built credibility internally.
- Sharing stories of the organization “at its best” strengthened trust and good will among the Board and staff, highlighting core values as a positive basis for tackling leadership succession.
- Having mixed small groups (Board and staff) in the work session broadened participants’ awareness of the organization through hearing different perspectives; the small group work also strengthened the sense of community as people got to know each other better.
- The large “sticky wall” timeline created during the work session allowed participants to discuss and sequence their action steps visually; this synthesized the group’s work concretely and holistically, setting the stage for succession plan implementation.
- The ongoing involvement of the Steering Committee laid the groundwork for communicating about leadership succession to other stakeholders beyond the Board and senior staff. For example, the Central City Concern Steering Committee identified specific steps for communicating about the succession plan internally (i.e., at the staff holiday party, through the internal newsletter, etc.) and externally to funders and partners.

CDCs are interested in exploring social enterprise models. Both participating CDCs expressed interest in exploring social enterprises as vehicles to support their operations and provide employment opportunities for residents/clients. In a climate of diminished government funding, it is likely that interest in these avenues will continue to grow among CDCs.

For CDCs with long-term executives, succession has many ramifications and requires ample lead-time. When organizations are complex and have a well-established Executive Director, planning for executive succession is closely linked with bolstering the organization’s overall management infrastructure as well as planning for the succession of other senior managers and, in some cases, long-term Board leaders.

Long-term executives have extensive knowledge and manage networks of partners, projects, and relationships that have evolved over their entire tenure. Furthermore, intense funding challenges have contributed to over-stretched and under-funded management infrastructures. The experience of succession planning with two CDCs, although limited, suggests that an ample timeline (such as one to two years) is useful to develop the resources and management depth necessary to sustain operations following the departure of a long-term executive: “replacement” of the executive is only part of the equation.

Succession planning supports acknowledgment of a long-term executive’s legacy. There are limits to the work of the departing Executive Director when it comes to managing his or her leadership transition. Tasks such as clarifying an executive’s legacy and planning appropriate public acknowledgement fall to others in the organization. Succession planning provides a forum for the Board and senior staff to begin thinking about how they will celebrate and build on the executive’s legacy.

V. IMPLICATIONS AND RECOMMENDATIONS

The overarching implications arising from NPF Succession Planning project findings are highlighted below, followed by recommendations tailored for Executive Directors, Boards of Directors, and Funders and Technical Assistance Providers.

1. Overarching Themes

Succession planning support is needed by CDCs in the near-term.

Two-thirds of participating Executive Directors anticipated that they would leave their positions within four years. Many CDCs would benefit from a one- to two-year horizon for succession planning given the complexity of the operating environment, the number of long-term executives in place, and the number of anticipated departures.

An appreciative or asset-based approach is important in succession planning. CDC Executive Directors bring mission-driven commitment and passion, as well as deep knowledge and skills, to their work. Succession planning, like other forms of organizational development, is most likely to be effective if it is grounded in awareness and appreciation of the positive accomplishments of CDCs and their leaders.

Inadequate funding is a field-wide challenge, not just a challenge for individual CDCs. The experiences of participating CDCs suggest that increased community needs have driven programs without adequate funding and attention devoted to organizational development. Organizations are over-stretched and under-resourced, a challenge that comes into sharp focus in planning for the succession of long-term executives.

2. Recommendations for Executive Directors

Develop the staff. Executive Directors can strengthen their organizations' readiness for leadership succession by making staff development a priority. The environment for CDCs is complex and challenging, requiring that staff at all levels continually grow their skills and adapt. All participating CDCs emphasized their support for staff development with examples such as attendance at conferences and training, and participation in issue-based coalitions and professional networks. Executive Directors should build on these efforts and also incorporate more on-the-job training and peer learning—forms of staff development with potentially low cost and high impact that are often overlooked. Staff development efforts support the growth of the next generation of staff leaders while also building internal capacity to support leadership transitions.

Initiate emergency succession planning. The process of emergency succession planning involves analyzing how staff and/or board duties are fulfilled and then organizing a backup plan for each function. The emergency succession plan, which has a short-term focus, can be used as a stopgap measure in the event of an illness or other unanticipated absence, or to allow time for a formal search process. While the majority of participating CDCs have talked internally about succession planning, few have any type of succession plan in place. Emergency succession planning is a positive first step; it not only codifies how positions will be “backed up” but also broadens awareness among staff and board members of how the organization functions.

Consider a sabbatical or other leave of absence. Many CDCs have long-term Executive Directors: Three-fourths of participating executives have been in their current position for five or more years, and nearly one-third have been on the job for 15 or more years. For long-term Executive Directors, an extended vacation, sabbatical or other form of leave has potential benefits for the organization and the executive. This is an opportunity to “test drive” an emergency succession plan, making space for others in the organization to stretch, including learning new tasks, forming new relationships and assuming higher level responsibilities. A leave of absence is also an opportunity for the long-term executive to renew and recharge.

Educate stakeholders about organizational capacity requirements. CDCs are overstretched due to growing community needs and shrinking public funding. Executive Directors have a primary role in engaging and educating their Boards, staffs and funders to recognize and support internal infrastructure development including costs associated with management, fund development, information technology (IT) and Board/staff development. Without appropriate infrastructure in place, programmatic growth cannot be sustained. Succession planning is an opportunity to assess and plan for realistic capacity.

Maintain a manageable workload and take care of yourself. CDC Executive Directors have highly demanding jobs requiring a passionate commitment and a broad range of skills and knowledge. While all the participating CDC Executive Directors reported they take a vacation at least once a year, nearly half also reported routinely working more than 50 hours per week. In addition to risking burnout, Executive Directors who consistently over-work may create risks for their organizations by taking on workloads that cannot be maintained by a successor. Executive Directors should routinely take time for reflection, renewal and pursuits outside their jobs, enabling them to go the distance on the job and, eventually, pave the way for their successor.

Serve as a partner in developing the Board of Directors. The Executive Director has a crucial role in supporting the development of the Board of Directors. While some participating CDCs are modeling strong partnerships between executives and Boards, several highlighted the need for additional Board development. The Executive Director, working in partnership with the Board Chair, has a key role in helping to clarify Board composition needs (e.g., with regard to skills and knowledge, demographics, and community contacts), arrange Board training, support committee work, educate about public policy/advocacy issues, and translate fundraising targets into concrete opportunities for Board member involvement. Ongoing attention to board development is the best way to develop a strong Board; without a strong Board, organizations are highly vulnerable during executive leadership transitions.

Welcome succession planning as an opportunity for strategic development. Whether an Executive Director is planning a departure in the near-term or not, succession planning should be welcomed as a vehicle for engaging the organization in strategically preparing for the future. CDC Executive Directors and other managers must deal with a myriad of technical housing development and financing requirements. Furthermore, many executives have learned on the job over a period of several years and some fulfill housing developer roles as well as Executive Director duties. In light of the complex environment and the depth and breadth of the roles fulfilled by current executives, succession planning is crucial—not only to assess and bolster current systems, but also to identify additional management capacity and infrastructure needs.

3. Recommendations for Boards of Directors

Get the entire Board on board with succession planning. Board members can support their organizations by recognizing that leadership transitions are a normal part of organizational development, understanding the Board's leadership role in executive transitions, and taking part in succession planning along with staff leaders. Board education is an important starting point. With the majority of participating CDC executives indicating they will remain on the job two to four more years, CDCs cannot afford to ignore succession planning.

Furthermore, Boards must recognize that when executives have been on the job for many years, planning for an executive change often leads to other organizational changes such as building up internal management capacity and systems, and restructuring programs and/or positions.

Provide support to the Executive Director. While participating Executive Directors take great satisfaction in the positive difference CDCs are making in their communities, executive workloads are highly challenging. Boards have overall responsibility for supporting their Executive Directors. To pave the way for a healthy executive leadership transition, whether or not one is planned in the near-term, the Board should pay special attention to the following:

- Assure that compensation levels are appropriate based on those of comparable organizations. Based on the 2004 NPF Salary Study, two-thirds of participating CDCs said employee compensation, including Executive Director pay, was “good” or “excellent” and none gave a “poor” rating. It is the responsibility of the Board to assure that reasonable compensation levels are maintained.
- Encourage the executive to maintain a realistic workload. Overwork leads to burnout and turnover, which can have negative consequences for individuals and organizations. The Board shares responsibility with the Executive Director for monitoring the workload.
- Encourage the Executive Director to pursue professional development and take time for outside interests. For long-term executives, Boards should consider authorizing a sabbatical or other form of leave.
- Assure that a formal Executive Director performance review is conducted on a regular basis and monitor job satisfaction through informal conversations. Boards should make use of both formal and informal opportunities to discuss the strengths and goals of the executive in relation to the needs of the organization.

Strengthen the Board’s governance capabilities. Boards should make ongoing Board development a priority to assure that they are able to step up to the opportunities and challenges associated with executive leadership transitions. Several participating CDCs highlighted the need for “larger roles for the Board” in preparation for leadership succession, and both Executive Directors and Board Chairs flagged finances and fundraising as the most serious challenges to their organizations’ long-term sustainability. The governance roles of the Board—including resource development planning and financial oversight—are unglamorous but essential aspects of Board service.

Attend to Board leadership development and continuity. The majority of participating CDCs have a mechanism in place for grooming Board leadership, such as a Vice-Chair or Chair-Elect position and mentoring for new Board officers. Boards should continue these leadership development practices and also assure that terms are staggered so that some long-term members remain in place during and after an Executive Director transition. Within some participating CDCs, Board leaders hold key long-

term relationships with organizational partners and funders; in these cases it is particularly important to plan for Board leadership transitions and, as appropriate, to identify roles for their continuing support.

4. Recommendations for Funders and Technical Assistance Providers
Support CDCs with succession planning and executive transitions.

T.A. providers and funders should support CDCs with technical assistance and funding for succession planning and other executive transition services, such as consulting for executive search processes and the hiring of an Interim Executive Director. Changes in executive leadership are major events for CDCs, particularly those with long-term leaders. A relatively small investment of resources and outside expertise at such a crucial juncture in the life of an organization can contribute significantly to its future.

Play the role of convener. Funders and T.A. providers should continue to convene CDCs to introduce them to emerging trends and ideas, promote peer networking and leadership development, and create forums for collaborative work on issues of field-wide concern. A case in point was the 2004 Leadership Succession workshop presented by NPF that began serious discussions of succession planning within several organizations.

Cultivate emerging staff leaders and experienced Executive Directors by supporting professional development. Training, coaching, and other forms of support for emerging leaders will help ready the next generation of leaders as many senior managers and executives near retirement age. Professional development opportunities, including sabbaticals, are also needed to enable long-term leaders to continue to remain fresh and grow in their work. T.A. providers and funders should invest in CDC leadership development: When leadership is cultivated broadly, succession is more manageable.

Support organizational restructuring and growth initiatives for CDCs with good track records. Many CDCs have grown significantly over the last decade, launching important programs and services without adequate investments in internal systems and management capacity. Succession planning can help CDCs come to terms with their need for realistic infrastructure to manage complex programs and finances. Funders and T.A. providers should support restructuring and growth initiatives by investing in CDCs with good track records and offering technical assistance.

Recognize the importance of flexible operating funding. With complex and multi-faceted operations, and substantial housing assets in place, many CDCs need to play “catch up” with internal organizational development to assure that they will be able to sustain their work long-term. Funders should provide flexible operating funding that could be devoted to organizational development, as well as more targeted support.

Pursue pilot projects and practitioner-oriented research. Funders and T.A. providers are well positioned to seed practitioner-oriented research and pilot projects to further develop the CDC field. For example, participants expressed interest in exploring social enterprises that would create funding for CDC operations as well as employment opportunities for their residents and clients. Research and experimentation to expand social enterprises would be timely.

Support the advocacy voice of the CDC field. Fulfilling the important social missions of CDCs over the long haul will require a sustained focus on public policy advocacy, particularly as long-term executives approach retirement. Funders and T.A. providers are well positioned to support think tank activities leading to progressive policy change at the local, regional and state levels. Positive initiatives in this arena are already underway such as The Housing Alliance's work to influence the state legislature on affordable housing issues.

VI. ACKNOWLEDGEMENTS

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CDC Executive Directors Participating in the Online Survey (Anonymous)

CDCs Participating in Telephone Interviews

- Caritas Community Housing Corporation
- Central City Concern
- Community Connection of Northeast Oregon, Inc.
- Community Partners for Affordable Housing
- Farmworker Housing Development Corporation
- Portland Community Reinvestment Initiatives
- Polk CDC
- REACH Community Development
- Salem CDC
- Umpqua CDC

CDCs Participating in Developing Succession Plans

- Central City Concern Steering Committee Members:
 - ◆ Dean Gisvold, Board Chair
 - ◆ Richard Harris, Executive Director
 - ◆ E.V. Armitage, Project Director
 - ◆ Ed Blackburn, Director of Health and Recovery Services
 - ◆ Linda Girard, Board Member
 - ◆ Paul Clithero, Board member
 - ◆ Christy Fish, Board Member
 - ◆ Pauline Anderson, Board Member
- Human Solutions Steering Committee Members:
 - ◆ Carla Piluso, Board Chair
 - ◆ Mary McSwain, Board Vice-Chair
 - ◆ Susan Asam, Board Secretary
 - ◆ Jean DeMaster, Executive Director
 - ◆ Erika Silver, Director of Social Services
 - ◆ Dorene Warner, Housing Director

Neighborhood Partnership Fund

- Cynthia Winter, Human Capital Director
- Janet Byrd, Executive Director

Consultants

- Paula Manley
- Lynn Youngbar

**ATTACHMENT A
NPF Succession Planning Project**

Process for Succession Plan Development

1. Start-up

Once the two participating CDCs have been notified and a contact person appointed, Youngbar/Manley (Consultants) will contact each organization to begin collecting background documents, form a Succession Planning Steering Committee and set meeting dates. Background documents to be reviewed by the Consultants will include:

- Most recent strategic plan
- A statement of values/code of conduct (if available)
- Recent organizational assessment (if available)
- Annual workplan, budget, and most recent quarterly financial statements
- Bylaws
- Job descriptions for Executive Director and Board Members/Officers
- Annual report
- Documents that reference succession planning (if available)

Each organization will create a Succession Plan Steering Committee with at least two staff and two board members (including the Executive Director and the Board Chair). Their responsibilities will be to assist with a mini-organizational assessment, formulate key issues to be addressed during succession planning, and help design the Board/staff planning work session where the Succession Plan will be developed. Ideally one member of the Steering Committee will be responsible for orienting the consultants, gathering documents, setting meeting dates, internal communications and handling other internal logistics.

2. Assessment Dialogue

A pre-planning meeting of the Consultants and the Steering Committee will be held to flesh out a mini-organization assessment based on the results of Consultants' document review and interviews with the Board Chair and Executive Director. This will ensure that the Consultants and Steering Committee develop a well-rounded picture of issues the organization faces in succession planning.

During this meeting the Consultants will share a framework for succession planning and facilitate a Committee dialogue to determine which issues will be the major focus of the succession planning work session.

Process for Succession Plan Development
continued

3. Agenda Planning

The Steering Committee and Consultants will meet to review the assessment (the priority issues that will be addressed in the work session) and finalize the succession planning work session agenda. They will also determine what needs to be in the work session meeting packet and what preparation participants must do before the session.

4. Work Session: Developing the Succession Plan

A half-day work session involving the entire Board and senior staff will identify the organization's key strategies and actions that will comprise the Succession Plan. This four-hour session will include an opportunity to share stories of the organization "at its best" as a vehicle for surfacing core values that the staff and Board would like to carry forward through a leadership transition. The work session may be held on a weekday or a weekend, depending on the group's preference.

5. Write up and Finalize the Succession Plan

Based on the work session, the Consultants will produce a draft succession plan and review it with the Steering Committee in a follow-up meeting. The Steering Committee will determine how to share the draft with the rest of staff and Board, including getting input in order to finalize the plan. The Consultants will review any changes, additions or deletions for inclusion into the final plan. The Steering Committee will be responsible for facilitating Board adoption and distribution of the final plan.

ATTACHMENT B NPF Succession Planning Project

Executive Succession Planning Framework

Executive transitions provide organizations with opportunities as well as pitfalls. Handled poorly, leadership transitions can result in damage to an organization's morale, credibility and funding. When handled thoughtfully and with care, these transitions are opportunities for positive organizational development and transformation.

A change in executive leadership can have significant emotional impact on staff and board members, and may lead to other organizational changes as well. For organizations with long-term executives, including founders, planning for succession must address more than functional issues. Consideration of organizational culture must also be woven into the transition process, including understanding the legacy of the departing executive and identifying core values (which are often tacit) that will continue.

Our framework for supporting Community Development Corporations with succession planning addresses organizational culture—the shared values at the heart of the organization—as well as functional areas. Participating CDCs will take part in activities that surface stories revealing their core values. They will also have opportunities to self-assess and determine the strategies and actions to be carried out in key areas that are crucial in preparing for leadership transitions:

1. **Board Development** includes efforts to assess needs, recruit, train, engage and evaluate board members. Board development often needs attention in preparation for an executive transition. The Board plays a crucial role in supporting a departing executive, as well as providing leadership in the search and selection of a new director.
2. **Management**, in broad terms, involves attending to the “whole system” of the organization—including the processes, communications, and modes of decision-making that enable an organization to carry out its work. During times of executive leadership transition, extra care must be taken to communicate clearly and frequently to the staff and key volunteers, including clarifying when and how decisions will be made. Documentation of internal processes that are “second nature” to the incumbent director will also require attention.

Executive Succession Planning Framework *continued*

3. **Staff Development** includes systems and practices for training and developing the staff, including cross-training and professional development. An executive transition process often provides opportunities for staff members to take on new leadership responsibilities and roles.
4. **Financial Management** involves the policies, procedures and systems for managing finances with accountability and transparency. In preparation for a leadership transition, it is critical to assure that financial management systems are in order, well-documented and backed up.
5. **Fundraising** includes the strategies, systems and relationships an organization has in place for resource development. Organizations often experience a dip in fundraising with the departure of one executive and the integration of another. Therefore, an organization's fundraising systems and financial position must be carefully considered in planning a transition. In addition, relationships with funders that have been forged by the executive must be passed to others in the organization.
6. **Strategic Planning** is the process by which an organization reflects on its performance, shapes its vision and charts its course for the future. The process of creating or updating a strategic plan provides a natural opening for board and staff members to address leadership succession. Sharpening an organization's strategic direction is an important precursor to recruiting a new executive director.
7. **Community Relations** include formal and informal efforts to promote the organization and its mission to diverse stakeholders, constituents, clients and partners. Because the executive director is often the public face of the organization, a change in leadership can be worrisome to stakeholders. A thoughtful communications plan must be incorporated within the succession process to keep stakeholders informed and to frame the transition as a natural part of the organization's development.
8. **Public Policy and Advocacy** functions involve monitoring public policy developments and taking appropriate advocacy actions to influence the larger political and economic system that in turn influences an organization's ability to carry out its mission. Public policy and advocacy work that is dependent on the executive director will require special treatment during an executive transition.

Every organization facing an executive leadership transition has strengths and areas needing development. A succession plan outlines the agreements board and staff members make about how the organization will develop and what actions will pave the way for leadership succession. The process of succession planning can also help an organization to address the human side of change by acknowledging the contributions of its departing director as it sets the stage for a new executive.



**ATTACHMENT C
NPF Succession Planning Project**

Online Survey Instrument for CDC Executive Directors

Thank you for participating in this survey as part of the Neighborhood Partnership Fund's Succession Planning Project. Individual survey results will remain confidential. Aggregated survey results, which will not include any identifying information, will be shared with NPF and NPF grantees. This survey is intended for Executive Directors of CDCs in Oregon. Please respond to all questions.

1. How long have you been in your current Executive Director position?
0-4 Years 5-9 years 10-14 years 15 or more years
2. Are you the organization's founding Executive Director?
Yes No
3. What year did the organization begin operating?
4. What is the organization's current annual operating budget?
Under \$250k \$250k \$1 mil. \$1-\$2 mil. more than \$2 mil.
5. What is the current number of Fulltime Equivalent (FTE) staff?
0-4 5-9 10-14 15-24 25 or more
6. Looking to the next three years, what do you see as the major challenges for the organization? List up to three.
7. When do you anticipate departing from your Executive Director position?
0-1 yrs 2-4 yrs 5-9 yrs 10 years or more
8. Have you discussed a specific departure date or timeframe with the Board (or Board leadership)?
Yes No
9. Does your organization have an Executive Succession Plan?
Yes No
10. What is the average length of service of the Board Chair at your organization?
1-2 yrs 3-4 yrs 5 or more years

Online Survey Instrument for CDC Executive Directors
continued

11. Do you have a mechanism for grooming Board leadership (such as a vice-chair or chair-elect position, or mentoring for Board officers, etc.)?
Yes No
12. Does the organization have basic board development systems in place for board recruitment, board orientation and training, and board evaluation?
Yes No Partially
13. Does your organization have up-to-date, written personnel policies?
Yes No
14. Does your organization have detailed written fiscal policies and procedures in place (e.g., regarding investments, purchasing, accounts payable, accounts receivable, etc.)?
Yes No
15. Does the Board of Directors review financial statements regularly?
Yes No
16. Does a Board committee have an in-depth understanding of the financial statements and the annual budget?
Yes No
17. How would you rate the Board's understanding of the organization's financial position?
Poor Fair Good Excellent
18. Approximately what percentage of the organization's relationships with funders and donors are primarily with you?
19. Are Board members in contact with funders or donors as part of the organization's fundraising efforts?
Yes No
20. Are managers and/or staff members other than you in contact with funders or donors as part of the organization's fundraising efforts?
Yes No
21. Are you involved in public policy advocacy on behalf of the organization and/or the field?
Yes No

Online Survey Instrument for CDC Executive Directors
continued

22. Approximately what percentage of relationships with other external stakeholders are primarily with you, including partners and government officials?
23. Does your organization have a current, Board-approved Strategic Plan?
Yes No
24. Were staff members (in addition to you) involved in developing the Strategic Plan?
Yes No N/A
25. How would you rate the organization and maintenance of databases and data management systems, including backup of key information and records?
Poor Fair Good Excellent
26. Who fulfills your job responsibilities when you're away from the organization for an extended period?
Yes No
27. Do you pursue professional development opportunities (e.g., training, coaching, participation in professional networks)?
Yes No
28. Does the organization provide professional development opportunities for managers or staff members other than the Executive Director (e.g., training, coaching, participation in professional networks)?
Yes No
29. Does the organization provide any cross training?
Yes No
30. Are any managers and/or staff members cross-trained in any aspects of your (Executive Director) position?
Yes No
31. If you answered "yes" to the last question, which aspects? Please list them briefly:
32. Does your organization include a housing developer position that is separate from the Executive Director position?
33. Based on the 2004 NPF salary survey, how would you rate the employee compensation levels at your organization?
Poor Fair Good Excellent Don't know

Online Survey Instrument for CDC Executive Directors
continued

34. Approximately how many hours are in your average workweek?
No more than 40 41-49 50-59 60 or more
35. Do you take a vacation at least once a year?
Yes No
36. What are your top concerns—relating to yourself and your future—associated with leaving your current position? List up to three.
37. What are your top concerns—relating to the future of the organization—associated with leaving your current position? List up to three.
38. When it comes to this organization, I'm the only one around here who knows...

Thank you for your participation!

**ATTACHMENT D
NPF Succession Planning Project**

Telephone Interview Questions for CDC Executive Directors & Board Chairs

1. How many years have you been in your current position? How long have you been associated with the organization?
2. Looking back on the history of the organization, what are some of its proudest accomplishments?
3. What are your future plans with this organization?
[Probe: How long do you see yourself in this position?]
4. To what extent have people in your organization already had conversations about executive director succession?
5. Have you or the organization taken any steps toward a succession plan? If so, please describe.
6. What are your hopes and fears around executive leadership succession in your organization?
7. What do you see as the strengths of your organization that could be helpful in an executive director succession process?
8. What do you see as potential barriers that could hinder the executive succession process?
9. Next I will ask you about the current status of several aspects of organizational life that are important to consider as part of executive succession planning. The first one is...
 - a. Board development
[Probes: What board development activities is your organization engaged in? Which ones work well? Which ones need more attention?]
 - b. Strategic planning
[Probes: How was your strategic plan created? How do you use your strategic plan? Is strategic planning ongoing?]

***Telephone Interview Questions for CDC Executive Directors & Board Chairs,
continued***

- c. Staff development
[Probes: Are staff involved in training? Coaching? Professional networks?
Cross-training between departments or positions?]
 - d. Fundraising
[Probes: Who takes the lead in donor relationships? How are board
members involved in fundraising? How are staff involved?]
 - e. Public Policy Monitoring and Advocacy
[Probes: How does public policy monitoring and advocacy happen in your
organization? Who is involved?]
10. What do you see as the main challenge or challenges to the sustainability of
your organization over the long term?
11. Imagine it's 10 years from now and you are on a beach or a mountaintop.
Your organization is flourishing with a new executive director. What did you
or the organization do to make that transition a success?

**ATTACHMENT E
NPF Succession Planning Project**

Sample Succession Plan from Central City Concern

**Central City Concern Succession Plan
Approved by Board of Directors December 14, 2005**

Succession Planning Overview

In the spring of 2005, CCC engaged in a comprehensive strategic planning process that included the following goal: "To develop/implement comprehensive board and executive leadership transition strategies." With leadership from a Succession Planning Steering Committee made up of board members and senior managers and consulting support funded by the Neighborhood Partnership Fund, CCC embarked on a formal succession planning process in the fall of 2005. The Committee engaged in a facilitated self-assessment dialogue to identify key management and governance issues pertaining to succession. These focal issues were then tackled during a special board-staff work session October 26, 2005.

During CCC's succession planning work session, board members and senior managers engaged in rich discussions about the strategies and actions needed to move ahead with succession, focusing primarily on board succession, management and fund raising, while also addressing financial management, community relations/communications, and public policy/advocacy. Work session participants also highlighted aspects of CCC's culture they wish to carry forward as they undergo the transition of their executive director and board leaders in the years ahead. The session culminated with the creation of a timeline outlining the rough sequence of succession-related activities.

Key Assumptions

In undertaking succession planning, CCC began with the following assumptions:

- Long-term Executive Director Richard Harris will retire within approximately three years.
- Ed Blackburn, currently Director of Health and Recovery Services, has been identified as Richard's successor. In the next few years Ed will intensify his training and orientation to prepare for the executive director role.
- Long-term board members are not planning to retire soon, but recognize the need prepare the organization for their eventual retirement.

Cultural Issues

The following aspects of CCC's organizational culture were identified as important to nurture during and after leadership transitions:

- Creativity in tackling complex, multifaceted projects
- A focus on cultivating and maintaining relationships
- A partnership orientation: able to collaborate internally and engage partners in practical solutions
- Informal and non-hierarchical communication
- Willingness to take considered risks
- Visionary and innovative: always searching for a better way
- Deep understanding of client needs based on recovery values: the language and spirit of recovery permeates the culture of CCC

One aspect of CCC's culture that will require rethinking is its historic emphasis on low cost. While low cost will remain an important value, work session participants noted that CCC's very low overhead rate is not sustainable.

Succession Planning Strategies

CCC has identified the following succession planning strategies to be undertaken by the board and staff in the next few years.

Primary Strategies

1. Expand the board to facilitate an orderly transition of the knowledge, skills and contacts of long-serving board members when they retire.
2. Build an appropriate management infrastructure that can support CCC's current and future operations and programs.
3. Increase and diversify revenue streams to ensure that CCC has ongoing unrestricted funding to continue fulfilling its mission.

Additional Strategies

4. Communicate to stakeholders about CCC's leadership transitions in the context of the strategic plan.
5. Expand consumer advocacy to help sustain financial support for CCC programs.

Succession Planning Actions and Questions

Major actions for each broad functional area are summarized on the timeline chart (pp. 5-6). Below are key points and questions that emerged from CCC's group discussion during the succession planning work session and a subsequent meeting of the Succession Planning Steering Committee.

Board Succession

- a. *Overlap with current members:* Allow time for shadowing, mentoring, training and relationship building.

- b. *Bylaws changes*: Bylaws changes are needed to expand the number of board members and meet some funder requirements for board membership.
- c. *Board size*: Decide how much bigger the Board should be to remain cohesive. Increase numbers gradually (“test drive”).
- d. *Pathways to board service*: Consider inviting board member prospects to serve on committees first.
- e. *Recruitment priorities*: Ethnic and gender diversity; stakeholder relationships and connections; professional expertise in law, real estate (in the central city), architecture, fund raising and foundation knowledge, human resources, health care finance/medical issues, business, local politics (e.g., an appointed or former elected official); representation of consumers of CCC services.
- f. *Essential for all board members*: Commitment to CCC’s mission and culture, time commitment to be involved and accessible, geographically accessible.
- g. *Speakers bureau*: Consider a speakers bureau to help raise CCC’s visibility, provide another avenue for board leadership development (as ambassadors), and set the stage for ongoing board recruitment.

Management

- a. *The opportunity*: Build needed management infrastructure as part of the process of leadership succession. First “make the case,” then develop proposals for transition/capacity building funding.
- b. *Management structure*: Analyze the work of the current executive director and senior managers against current/emerging needs as a basis for updating the management structure, including administrative capacity needed to support executive director and senior management positions.
- c. *Outside expertise*: Determine whether or not to get consulting support for analysis of the management structure. Consider a loaned executive?
- d. *Succession planning*: Create succession plans for all senior managers to address how bases will be covered for short or unplanned absences and planned departures such as retirement.

Fundraising

- a. *Board giving*: Assure that 100% of the Board is making an annual financial contribution, but that members are not pressured to give at a particular level.
- b. *Board involvement*: Assure that 100% of the Board is involved in fundraising in some way (although not everyone wishes to “make the ask” of others).
- c. *Business enterprise*: Explore the business enterprise side of development, which is utilized successfully by CCC and other similar nonprofit organizations.

- d. *Development strategy*: Convene a board level Development Committee, including non-board members, to work with staff on a future-focused fundraising plan that reflects CCC's changing funding landscape, strategically revises and expands fundraising capacity, and integrates fundraising efforts across the organization.
- e. *Board training*: Build skills and comfort with fundraising; assure that everyone has a role.
- f. *Business support for CCC*: Board members expressed interest in cultivating relationships with downtown businesses and service clubs. Ideas included:
 - Show how CCC benefits the business community
 - Speakers bureau (board members as ambassadors) to appeal to businesses and service organizations (e.g., Kiwanis, Rotary)
 - Encourage businesses to designate United Way pledges to CCC where appropriate

Financial Management

- a. *Future-focused financial services*: Financial and asset management information needs are changing at CCC. In addition to providing financial statements and an annual budget, CCC will need to do more forecasting and generating different reports to help managers do their jobs. CCC will seek consulting support to analyze and make recommendations on financial and asset management systems. Additional accounting staff will be needed.
- b. *Realistic administrative overhead*: Analyze CCC's administrative costs and assure that overhead rates are in line with the level of infrastructure needed to carry out the mission. An analysis will include carefully defining the direct and indirect costs of service delivery in all programs and adjusting overhead rates as needed.

Community Relations/Communications









- a. *Communications with staff*: Address staff concerns about leadership succession by immediately updating them about the succession planning process and general timeframe.
- b. *Retirement date*: In spring of 2006, Richard will set a date for retirement.
- c. *Communications with stakeholders*: Communicate to stakeholders about leadership succession in the context of the strategic plan; they were involved in providing input and conversations about leadership succession will flow naturally as part of strategic plan follow-up. Communicate internally and externally about how this succession plan relates to the strategic plan.
- d. *Approaching funders*: Funders and contractors are aware of the Executive Director's impending retirement and board transitions; approach them as allies and supporters who have a stake in CCC's continuing success.

Public Policy/Advocacy

- a. *Advocacy in support of CCC's budget and programs:* To help maintain financial support, expand consumer advocacy with all funders.
- b. *Relationship development:* While long-term personal relationships cannot be replaced, continue opportunities to make introductions and broaden associations among staff, board members and key stakeholders.
- c. *CCC's public face:* CCC has a history of doubling up on key meetings: The public face of the organization is never just one person. Multiple relationships are fostered.

Central City Concern • Succession Plan Timeline with Major Actions

	YEAR 1				YEAR 2		YEAR 3
	Winter 2005-2006	Spring 2006	Summer 2006	Fall 2006	Winter 2006-2007	Spring 2007	2008
BOARD SUCCESSION	Change bylaws to allow Board expansion (1/06)	Finalize recruitment priorities					
		Begin recruitment activities	Continue recruitment activities	Bring “1 st wave” onto Board		Consider timing of “2nd wave”	
	Board recruitment on every Board meeting agenda			Board training, mentoring			→
							→
MANAGEMENT	Analyze-define management structure/needs for succession	Proposals out: management capacity-building \$\$\$					
	Engage Board in review of proposed revised management structure; Board approval						
	Ed shadow Richard to learn the ropes of the ED position						→
	Short-term succession plans for senior managers			→			
FUND RAISING	Annual Board Ask	Create Board Development Committee	Ambassador Training for Board	→			Ambassador Training for Board
	Development Strategy/Plan			Annual Board Ask			Annual Board Ask (Fall '07)
		Identify business allies		Cultivate business support			→

	YEAR 1				YEAR 2		YEAR 3
	Winter 2005-2006	Spring 2006	Summer 2006	Fall 2006	Winter 2006-2007	Spring 2007	2008
FINANCIAL MANAGEMENT	 Re-evaluate management model & needs; Define future-focused recruitment strategy/plan Determine functional admin rate	Board approval of plan (part of revised management structure & capacity-building plan)		Add accounting staff			
COMMUNICATIONS COMMUNITY RELATIONS	 Update staff ASAP (Fall '05); frame in context of strategic plan	Richard set a date for retirement					
		Conversations with closest stakeholders; frame in context of strategic plan	Public announcement (Identify/communicate with CCC's different audiences)				Retirement Party for Richard! (Timing based on date TBD)
PUBLIC POLICY/ ADVOCACY	 Engage consumers in advocacy to maintain financial support; determine & maintain continuity of messages					List key relationships to maintain	Maintain relationships: PBA, PDC, OT/CTNA, etc 
	Prioritize advocacy: Recognize it takes time & energy						

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Board Members

- Dean Gisvold, Chair
- Bing Sheldon
- Marilyn Webber
- Larry Naito
- Christy Fish
- Linda Girard
- Mary Ann Ware
- Pauline Anderson

Staff Members

- Richard Harris, Executive Director
- Ed Blackburn, Director of Health and Recovery Services
- E.V. Armitage, Project Director
- Traci Manning, Housing Director
- Christine Appleberry, PR/Marketing Director
- Janice Curry, Financial Manager
- Ted Amann, QI/QA Director and Health Services Manager

Steering Committee Members:

- Dean Gisvold
- Richard Harris
- E.V. Armitage
- Ed Blackburn
- Linda Girard
- Paul Clithero
- Christy Fish
- Pauline Anderson

Consultants: Lynn Youngbar and Paula Manley

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