



Succession Planning Project

EXECUTIVE SUMMARY

A Project of
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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.

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

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

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.
- **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.

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
- Human Solutions
- 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 and Lynn Youngbar