

THE THIRD SECTOR REPORT

The Importance of Developing an Obsession for Nonprofit Succession

By Jeffrey R. Wilcox, CFRE

It's too bad that whenever the word "succession" finds its way into conversations at most nonprofit organizations, most view its utterance as code for someone needs to go.

When an inevitable transition does occur, these same organizations soon discover that having kept succession in the closet ultimately costs their worthy causes significant amounts of time, money and angst.

The third sector is no different than the private and public sectors when it comes to human resource matters and leadership. Most transitions in key positions aren't planned. Messy exits can be a public relations challenge. And transitions that should have happened earlier, but for personal or political reasons were avoided, create a domino effect of others choosing to vacate their positions instead.

While nonprofits face other common workforce realities such as a baby boomer generation retiring en masse and the difficulty of attracting and keeping up-and-comers, the sector has a couple of quirks that make leadership continuity slightly more complicated: The first is that each of these realities can be applied not only to paid employees, but also to volunteers. The second is that without term limits and a commitment to succession, great causes can easily evolve into family-run businesses disguised as nonprofits.

All of these factors sum up to a subject that is emotionally charged and filled with deeply-rooted confusion over what constitutes prudent succession planning for a nonprofit organization.

Filling key positions, managing with a leadership void and curbing high attrition are expensive propositions for any enterprise. For organizations that depend on people's generosity to survive, however, these are situations that demand proactive and visible attention.

The *Daring to Lead* study released by CompassPoint Nonprofit Services in Oakland dramatically illustrates the current state of the sector when it comes to succession:

- 17% of 3,000 nonprofit organizations indicate having a succession plan
- 24% of nonprofit executives report planning to vacate their positions within two years
- 45% have no executive performance review process to annually discuss succession

Based on these numbers, there is a significant quantity of important nonprofit organizations whose futures are at risk. Sadly, most of them have little idea how large the risk is because succession has been considered an unmentionable in their cultures.

For those who have believed that investing time and money in leadership development, retention and succession will hurt a nonprofit's overhead calculations, the *Daring to Lead* numbers suggest that the day in court is nigh. The costs of sloppy human resource practices, poorly managed executive exits, filling avoidable vacancies and a lack of competent future board leadership creates a tab that is going to difficult to prove as circumstantial. The sum of these costs will be even more difficult defend as responsible fiduciary oversight in the name of charity.

Succession, like fundraising, is an integral piece of a successful nonprofit's organizational culture. Both subjects are forms of resource development that are equally vital for fueling its future.

Cultures that value succession have six distinct attributes. The first is operating with a collective understanding that succession is about ongoing efforts to assure a continuity of good leadership is in place for the organization. It is not about naming an heir-apparent or planning one person's transition.

The second attribute is completing a contingency operations plan every year and creating a warehouse of vital organizational information should a key position become vacant for any reason. The third attribute is a series of board-approved succession policies which mandates such things as performance reviews, term limits, human resource procedures and nominations.

Demonstrated competencies in basic human resources is the critical fourth attribute. The fifth is completing and managing from a strategic plan that pays as much attention to developing human capital as it does to developing financial capital for creating its future. And, the final attribute is assigning the task of succession to key people as part of their job responsibilities and performance objectives.

For me, nonprofit leadership succession has become an obsession. Perhaps I've stood on the curb for too many years watching people confuse or avoid the subject and decline to get on the succession planning bus. It's painful to witness so many great executives, boards and organizations now at significant risk of being hit by it.

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