Organizational Sustainability, Succession Planning, and Leader Development

Tom Adams, Raffa P.C.

About Tom Adams

Former President of TransitionGuides
Former senior executive of NeighborWorks America
Led research projects supported by the W. K. Kellogg Foundation and the Annie E. Casey Foundation on nonprofit leadership transition and succession

Author of articles, monographs and recent book *The Nonprofit Leadership Transition and Development Guide: Proven Paths for Leaders and Organizations*

TOM ADAMS
Director
Raffa, P.C.
(202) 995-7245
tadams@raffa.com

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About Raffa, P.C.

Focuses on making the world a better place

Contributes to client’s abilities to achieve their missions and deliver their promises to the world.

Keeps organizations compliant, effective, and efficient with practical back office support and deeper strategies that create sustainability

Provides expertise in consulting, accounting, nonprofit search, and technology services that help advance client’s organizational missions.

RAFFA, P.C.
1899 L Street, NW,
Suite 900
Washington, DC 20036
(202) 995-7245

Learning Objectives

- Explore how leadership, strategy, resources, and culture come together to influence organizational sustainability
- Discover the three types of Succession Planning and the benefits of each type and explore practices and processes that advance leader development culture
- Hear from peer leaders about their experience with succession and transition planning
- Begin to use tools and example documents to begin emergency backup planning, succession policy development and preliminary sustainability assessment for your organization.
Our Agenda

- Overview of key ideas – sustainability, succession and transition
- Conduct a sustainability mini-assessment
- Hear from peer executives and CDFI consultant about succession and transition experiences
- Discuss next actions to advance sustainability, succession and a leader development culture

Action Planning Worksheet

Succession and Sustainability Action Planning

<table>
<thead>
<tr>
<th>Area of Inquiry</th>
<th>Level of Concern</th>
<th>Questions to Explore</th>
<th>Next Actions/Commitments</th>
<th>Resources or Support needed to be Successful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability</td>
<td></td>
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<tr>
<td>Succession</td>
<td></td>
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<tr>
<td>Leadership</td>
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</tr>
</tbody>
</table>

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Why do YOU DO this work?

Coming to Terms with Change

TRANSITION

New Beginning:
- Commitment
- Rebirth
- New Energy
- New Sense of Purpose

Neutral Zone:
- Confusion
- Direction Finding
- Re-patterning

Ending:
- Loss
- Letting Go
- Relinquishing Old Way
- Old Identity

What is Sustainability?

Organizational sustainability is proactive and intentional attention to the factors that keep an organization stable, resilient, and energetically advancing an agreed upon mission and goals. It describes the capacity of leaders and organizations to adapt to both financial health or sustainability and programmatic stability.

The Sustainability Mindset says sustainability encompasses:

1. **Financial Sustainability** - The ability to generate resources to meet the needs of the present without compromising the future and;

2. **Programmatic Sustainability** – The ability to develop, mature, and cycle out programs to be responsive to constituencies over time.

*Bell and Zimmerman. The Sustainability Mindset*
Stability, Sustainability & Vitality

**Vitality**
- Exuberant strength or vigor. Capacity to live, grow and develop. Powerful.

**Sustainability**
- Strong organizational fundamentals in place that enable the nonprofit to be a high-value asset over the long term.
- Prerequisite for true vitality.

**Stability**
- Basic level of health. Firmness. Enough resources to carry out short- to mid-term activities.
- Prerequisite for sustainability.

Sustainability Planning

**THE FOUR ELEMENTS**
- Business Model & Strategy
- Resources
- Leadership
- Culture
Four Core Elements of Sustainability: *Business Model/Strategy*

*Business Model:* How the organization creates and delivers value, and finances the value-creation process.
- Has at least 5-7 years of life in front of it.
- Built on quality services. Needed by clients. Valued by donors/funders.

*Business Strategy:* A coordinated set of actions aimed at creating and sustaining a market position in order to carry out your nonprofit’s mission.
- Is there a strategy in place? Is it written?
- Does it position the organization to meet future needs and demands?
- Are the board and staff aligned with it and about it?

Four Core Elements of Sustainability: *Leadership*

- Leadership in place to meet current and future needs
- Succession plans for top leadership
- The Board is a high-value asset to the organization
- The Board’s work adequately covers its three core roles:
  - Shaping mission and direction
  - Ensuring leadership and resources
  - Monitoring and improving performance, including its own
- Strong, positive relationship between Board and executive
- Diversity plus cultural and intergenerational competence
Four Core Elements of Sustainability: **Resources**

- Financial resources: sufficient, diverse, well-managed
- Physical assets (facilities, campus, etc.) are maintained
- Human resources (staff, volunteers) are sufficient, stable, engaged
- Technology aligns with the business model
- Reputation/brand: understands its reputation in the community
- Proactive resource development strategy in place
- Good stewardship of hard assets AND building soft assets

Four Core Elements of Sustainability: **Culture**

- “Sacred values” clear to board and staff
- Decision-making authority defined
- Agile and resilient
- Agreement on commitment to diversity and inclusion
- Culture and future direction aligned
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## The Sustainability Mini Assessment

<table>
<thead>
<tr>
<th>Item</th>
<th>Yes</th>
<th>Part</th>
<th>No</th>
<th>Don’t Know</th>
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<tr>
<td>Our organization has a 5-year financial forecast and we do not feel at risk for at least 5 years of life in the event of a sudden blowout in asset markets.</td>
<td>Yes</td>
<td>Part</td>
<td>No</td>
<td>Don’t Know</td>
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<td>Our organization has a strong mission statement and we do not feel at risk for at least 5 years of life in the event of a sudden blowout in asset markets.</td>
<td>Yes</td>
<td>Part</td>
<td>No</td>
<td>Don’t Know</td>
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<td>We have implemented strategies to control our costs and reduce our environmental impact.</td>
<td>Yes</td>
<td>Part</td>
<td>No</td>
<td>Don’t Know</td>
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<td>We have a strategy in place to identify, train, and develop new leaders, both staff and board.</td>
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<td>No</td>
<td>Don’t Know</td>
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<td>Our board has a high value added to the organization.</td>
<td>Yes</td>
<td>Part</td>
<td>No</td>
<td>Don’t Know</td>
</tr>
<tr>
<td>Our organization is in good financial health and is well managed by our board of directors.</td>
<td>Yes</td>
<td>Part</td>
<td>No</td>
<td>Don’t Know</td>
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<tr>
<td>Our organization has a strong, well-defined, and well-executed succession plan.</td>
<td>Yes</td>
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## What Is Succession Planning?

Succession planning is the process of identifying and preparing potential successors for key leadership positions within an organization. It involves identifying individuals who have the skills, knowledge, and experience necessary to take on leadership roles and ensuring that they are prepared to assume these roles when the current leaders retire or leave the organization. Succession planning is critical for ensuring the continued success and stability of an organization. It helps to prevent a disruption in leadership and ensures that the organization is prepared for the future. Succession planning can be proactive, where leaders are identified and prepared in advance, or reactive, where leaders are identified and prepared in response to an unexpected leadership change.
Why Plan for Succession?

- Ensures Organizational Sustainability
- Increases Transition Success
- Mitigates Risk

Gets us beyond the simple truth that we avoid:

All careers eventually lead to a transition…
It’s just a matter of when and how well managed

Succession Planning: Three Approaches

1. SUCCESSION ESSENTIALS
   - Executive Backup Plan
   - Succession Policy

2. LEADER DEVELOPMENT
   – Proactive Talent Management

3. DEPARTURE-DEFINED
   – Succession Essentials
   – Sustainability Planning
Succession Planning: Essentials

The “Essentials”
Emergency Backup Plans
and
Board Adopted Succession Policy

Succession Essentials:
Emergency Backup Plans

BENEFIT:
Ensures Continuity

Understand Key Functions & Relationships
Designate Backup Coverage
Cross-Train Backups
Develop Procedures & Protocols
Document Succession Plan & Policy
Communicate the Plan
Refresh Annually
Prioritize Capacity Building
Sample:
Emergency Backup Plan

1. Overview
The (Company Title) recognizes the importance of a well-defined succession plan to ensure a smooth transition of leadership. A Board-approved Succession Policy is essential to guide the organization through any planned or unplanned executive transition.

2. Key Functions of the Succession Plan
- For the (Company Title), the Board-approved Succession Plan outlines the steps for managing the transition of key executives.
- (Company Title) should implement the Succession Plan to ensure a smooth transition of leadership.

Succession Essentials:
Succession Policy

- Board-adopted policy
- Outlines how to handle a planned executive departure
- Statement of commitment:
  - Prepares for inevitable leadership change
  - Assesses leadership needs before beginning a search
- Plan to appoint interim leadership
**Succession Planning: Leader Development**

**Strategic Talent Management Component**

**BENEFIT:**
- Broadens and Sustains Leadership Capacity
- Builds Bench Strength

**LEADERSHIP DEVELOPMENT PROGRAM**

- **Investing / Positioning**
- **Strategizing / Planning**
- **Aligning / Assessing**
- **Developing / Retaining**
- **Reviewing / Recruiting**
- **Timing / Implementing**
Succession Planning: Departure-Defined

**GOAL**
Increase organization's capacity to deliver its mission under new leadership, whenever the transition occurs.

**OUTCOMES**
- Capacity-building plan strengthens the four critical elements of organizational sustainability.
- Succession policy outlines the board’s policies & roles for a chief executive transition.
- Backup plans and cross-training for continuity.

Internal Succession
What is Internal Succession?

- The disciplined means of nurturing, developing, and retaining talent as a platform for an executive’s inevitable transition.
- It creates a culture that maximizes the internal organizational talent, appropriately “grooms” top potential/performers, and empowers them for top leadership positions.

Internal Succession Considerations

Examples of Possible Scenarios

- The Executive Surprise
- The Board Punt
- Interim to Placement
- The Executive-Board Collaborative Plan
- The Compromise
- Unexpected Considerations
Unexpected Considerations

What Happens If….

- More than one internal candidate
- No internal candidate – executive hires a new senior manager with intent s/he will be successor
- Designated internal successor leaves the organization before the transition occurs

Possible Advantages

- Institutional knowledge and organizational understanding
- Increases employee morale
- Inspires others employees to leadership roles
- Salary stability vs. Matching external salaries
- Decreased learning curve and training required
- Less prone to “rock the boat”
Why do Sustainability and Succession Planning?

- Ensures continuity
- Builds bench depth and internal capacity
- Key responsibility of top leadership; can’t be delegated
- Best if involvement is broad-based and connected to ongoing succession planning
  - Minimizes crisis of an unplanned absence
  - Identifies “organizational gaps” in coverage
LINK
Sustainability – Succession – Transition

Sustainability Planning
Or Departure-Defined Planning

Succession Essentials
• Backup Plans
• Succession Policy

Action Plan Implementation
• Executive Development
• Leader Development
• Board Development
• Strong Business Model
• Sharpen Strategy
• Change Culture

CEO Process Overview

Prepare
- Organize & Tailor the Process
- Gather Information
- Engage the Board
- Develop Profiles & Search Plan

Search
- Launch the Search
- Recruit
- Screen
- Select
- Hire

Onboard
- Onboard
- Rotate
- Evaluate
- Support

Outcome: Increased capacity to deliver organization’s mission under new leadership.

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Preparation

Ensure The Organization Is Ready To Search/Hire:

- Organization is stable: financially, politically, emotionally
- Smart, committed & available chair & committee
- Take the time; understand current & future leadership needs
- Requires assessment, reflection & planning

Preparation

Ensure The Organization Is Ready To Search/Hire:

- Who do you want to hire? What's the profile?
- Why? Why that profile? Link to future direction?
- What do you want new executive to do? Priorities?
- What do you need to do to get ready?
Personal Considerations

Factors to Consider:

- Retirement/financial readiness
- Clarity and enthusiasm for what’s next?
- Exit Planning and option of exit agreement with Board
- Your role during and after transition
- Timing considerations

Types of Exit Agreements

1. Catch-Up
2. Incentive to Stay Longer
3. Post Retirement Services
4. Honorific

Identity Challenges: Executive and Organization

**Executive**
- Reestablishing personal identity
- Identity separate from organization
- Influence on organizational culture
- Clarity about what’s next and how it provides meaning/purpose and other rewards

**Organization**
- Establishing brand independent of executive
- Handing off key relationships and “trust” factor

Individual Planning

Leading the Organization

Trouble Letting Go

Succession Begins to Succession Ends

Adapted from *Succession: Are You Ready?* By Marshall Goldsmith
Personal Planning

Effectively Letting Go

Creating a Great Rest of Your Life

Preparing the Organization

Leading the Organization

Succession Begins → Succession Ends

Adapted from Succession: Are You Ready? By Marshall Goldsmith

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Timing Considerations

- When to start sustainability and succession planning – now, make part of annual planning
- How to introduce early planning – best practice about organization, not you
- When to announce – typically 9-12 months before departure date (set firm date)
- How long does search/transition planning and search take – typically 6-9 months
- How long is overlap period with successor – depends on situation, usually shorter than you or board imagine

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Exploring Experiences of Peer Organizations

Julie Eades
President, New Hampshire Loan Fund

Jim Logue
Chief Operating Officer, Great Lakes Capital Fund

David Erikson-Pearson
Senior Search Consultant, Raffa P.C.

Building a Leader Development Culture
Benefits

*Leader Development*

- Supports sustainability and growth
- Develops pipeline for future
- Increases employee engagement
- Increases retention
- Attracts new talent
- Creates an aligned, executing team
- Positions organization and staff to be ready, proactive, and agile

Tools

*Leader Development*

- Assessments
- External And Internal Training
- Mastery Experiences
- Mentoring
- Coaching
- Networks
- Reflection
- Action Learning
Best Practices

**Leader Development**

1. Connect to overall organization strategy
2. Enlist CEO and board support
3. Design as a process, not an event
4. Orchestrate systemically throughout an organization, not just at the top level
5. Align with HR practices to support it
6. Approach with discipline and implement consistently
7. Measure and evaluate
8. Give it the time it needs
9. Communicate often

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**Where to Start?**

- What from this discussion would add value to your organization?
- Who would need to be convinced of the value and importance given other competing priorities?
- Who might you see as an advocate or champion?
- What would help make the case clear and compelling to act now or at a later date?
- What is the biggest barrier to action?
- What is your next action?
Generational Leadership

<table>
<thead>
<tr>
<th>Generation</th>
<th>Years/Ages</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditionalists</td>
<td>1922-1945</td>
<td>62-74</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>1946-1964</td>
<td>65-85</td>
</tr>
<tr>
<td>Generation X</td>
<td>1981-1995</td>
<td>34-45</td>
</tr>
<tr>
<td>Generation Y/Millennials</td>
<td>1970-2000</td>
<td>18-33</td>
</tr>
</tbody>
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The Multigenerational Workforce

**Strategies to make it work**

1. Embrace the diversity among generations
2. Create a flexible work environment
3. Value all people, cultures, ages, experiences, and goals
4. Keep employees productive
5. Develop strong interpersonal skills that foster relationships
6. Remain open to new ideas and provide feedback
7. Ensure all know “working together” is not negotiable
8. Create a respectful, open, and inclusive environment
9. Implement training and mentoring to ensure institutional knowledge continues from one generation to another.

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Resources

ANNIE E. CASEY FOUNDATION MONOGRAPH SERIES

- Building Leaderful Organizations
- Ready to Lead? Next Generation Leaders Speak Out
- Capturing the Power of Leadership Change
- Founder Transitions: Creating Good Endings and New Beginnings
- Interim Executives: The Power in the Middle
- Up Next: Generation Change and Leadership of Nonprofit Organizations
- Stepping Up, Staying Engaged (Boards During Transitions)
- Next Shift: Beyond the Nonprofit Leadership Crisis

AVAILABLE ONLINE AT:
www.Raffa.com/NewsandResources/Publications

The Nonprofit Leadership Transition And Development Guide Includes:

- Leadership Transition and Leadership Development
- Strategic Succession Planning
- Three Critical Stages of Transition
- Fortune 500 Talent Management Methods

Order via Amazon.com
- Kindle Edition: $25.49
- Paperback: $34.29

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Nonprofit CEOs
A Next Steps Planning Workshop

Sustainability, succession, and transition planning for founders and long-tenured executives

January 25-26, 2016 – Washington, DC

More information: Melody Thomas
mthomas@raffa.com
(202) 955-7242

Thank you