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Special Issue on Succession Planning in Nonprofit Organizations

IN THIS ISSUE

INTRODUCTION TO THE SPECIAL ISSUE

Joseph C. Santora and James C. Sarros

ARTICLES

Israeli Perspective on Nonprofit Executive Succession Planning

Gil Bozer and Shani Kuna

Mapping of the Succession Process in Nonprofit Organizations in Brazil

Graziella Comini, Marcela Paolino, and Mardem Feitosa

Succession in Italian Nonprofits: A Survey

Andrea Bassi

Are We Better Today Than We Were Yesterday?

Changes in Leadership Practices of Nonprofit Governing Boards

Claudia Petrescu

Passing the Baton in a Context of Change

David Wright



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Contents

Volume 5, Issue 3, Fall 2013

Special Issue on Succession Planning in Nonprofit Organizations

FROM THE CO-EDITORS

Joseph C. Santora and James C. Sarros2

INTRODUCTION TO THE SPECIAL ISSUE

Joseph C. Santora and James C. Sarros3

ARTICLES

Israeli Perspective on Nonprofit Executive Succession Planning
Gil Bozer and Shani Kuna 10

Mapping of the Succession Process in Nonprofit Organizations in Brazil
Graziella Comini, Marcela Paolino, and Mardem Feitosa28

Succession in Italian Nonprofits: A Survey
Andrea Bassi.....51

Are We Better Today Than We Were Yesterday?
Changes in Leadership Practices of Nonprofit Governing Boards
Claudia Petrescu.....72

Passing the Baton in a Context of Change
David Wright89

From the Co-Editors

October 2013

Welcome to this special issue of the *International Leadership Journal*, an online, peer-reviewed journal. This special issue, consisting of an introduction and five articles, focuses on the very topical research interest of succession planning in nonprofit organizations from a variety of perspectives around the world.

In our introduction to this special issue, we provide an overview of the special issue as well as a call to action for future research on nonprofit executive succession issues, particularly comparative research between countries.

The first three articles present unique perspectives on the topic from three very different countries. Bozer and Kuna present their findings on the challenges and opportunities connected to succession planning issues in Israeli nonprofits, having investigated the degree to which these organizations approached executive succession and the difficulties presented by Israeli society. Comini, Paolino, and Feitosa explore executive succession issues with the executive directors of Brazilian third sector organizations and the difficulties they face. Bassi's research and analysis of Italian nonprofit executive succession shows significant differences between types of NPOs—social cooperatives, foundations, and pro-social associations—regarding executive succession, which he largely attributes to historical and cultural reasons.

The concluding two articles focus on the issue of change in nonprofit organizations. Petrescu analyzes the positive impact a capacity building program had on nonprofit governing board leadership, particularly with regard to strategic planning and executive succession, while Wright takes on the interrelated issues of change in the environment, organization, and personal lives of founders or long-term executives in the succession process.

We would also like to take this opportunity to welcome Stanley J. Smits, PhD, professor and chair emeritus of the Department of Managerial Sciences in the Robinson College of Business, Georgia State University. Dr. Smits is also a past contributor to this journal.

Please let us know your thoughts and feel free to submit articles for review.

Joseph C. Santora
James C. Sarros

Co-Editors

Introduction to the Special Issue on Succession Planning in Nonprofit Organizations*

Joseph C. Santora and James C. Sarros

Research interest on executive succession in nonprofit organizations has blossomed in the last decade. From an academic perspective, *Nonprofit Management & Leadership* has published several leading articles (e.g., Balser & Carmin, 2009; Carman, Leland, & Wilson, 2010; Froelich, McKee, & Rathge, 2011; McKee & Driscoll, 2008) as has the *International Leadership Journal* (e.g., Comini & Fischer, 2009; Wright 2012), including, of course, the articles in this special issue (Bassi, 2013; Bozer & Kuna, 2013; Comini, Paolino, & Feitosa, 2013; Petrescu, 2013; Wright, 2013). From a practitioner perspective, both *Nonprofit World* (e.g., Rosenwald, 2011; Santora, 2004), and *Nonprofit Quarterly* (e.g., Gilmore, 2012), have made some important contributions, and offer practitioners some valuable insights into and a heuristic understanding of the succession process. These articles represent a good beginning; other investigations and analyses of succession and its many other dimensions in this sector have yet to be covered.

If Tierney's (2006) prediction that more than 600,000 nonprofit executives would be leaving their organization in the next five years and some 80,000 nonprofit leaders will be needed by 2016 is accurate (though there is some disagreement about the deficit, as suggested by Johnson, 2009), then these staggering numbers beg the question: "Are nonprofits truly prepared to meet this very serious leadership challenge?" Despite practical guides that help nonprofits better understand this often thorny issue (e.g., Adams, 2010; Wolfred, 2008), findings from two recent U.S. surveys suggest that nonprofits are clearly not ready when it comes to succession. In *Daring to Lead 2006: A National Study of Nonprofit Executive Leadership*, Bell, Moyers, and Wolfred (2006) found that

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among the nearly 2,000 nonprofit executive directors from eight U.S. cities who responded to the survey, 71% had not “discussed a succession plan for their position with their boards of directors” (7). In an updated survey five years later, *Daring to Lead 2011: A National Study of Nonprofit Executive Leadership*, Cornelius, Moyers, and Bell (2011) found that 83% of the 3,000 nonprofit U.S. executive director respondents did not have “a documented succession plan” (3). With such poor succession planning, it is likely that, as Bear and Fitzgibbon (2004) suggest: “Succession remains a challenge to not-for-profit organizations of all types” (103).

Overview of Special Issue

This special issue is devoted to various succession issues. The five articles that follow are unique contributions to the literature: three focus on succession in nonprofit settings in Brazil, Israel, and Italy, and two focus on American nonprofits. The first three articles present international findings on issues such as succession planning and insider-outsider appointments, while the last two deal with issues connected to succession and change. Overall, these authors provide evidence that succession issues confront nonprofits in countries other than the United States.

Bozer and Kuna, in their article on Israeli nonprofits, present their findings on the challenges and opportunities connected to succession planning issues. They investigated the degree to which these organizations approached executive succession. Based on a survey (Santora, Sarros, & Cooper, 2009), Bozer and Kuna conducted comparative analyses on nine succession planning indicators and found that, in general, these organizations do not plan and are ill-prepared for executive succession. The authors further explored the major difficulties connected with succession planning in Israeli society. They conclude their article with implications and a recommended research agenda.

Comini, Paolino, and Feitosa focused on executive directors of Brazilian NGOs and the difficulties they face. Based on 124 responses from Brazilian third sector organizations (concentrated in the areas of education, citizenship, and advocacy

for children and young people), they found that of the nonprofits founded in the 1990s, 60% did not have a succession plan compared to almost 90% of the nonprofits founded in the late 1970s. Clearly, things are improving in Brazilian nonprofits, but more diligence is needed.

Bassi surveyed 200 Italian nonprofits (NPOs) selected from social cooperatives, foundations, and pro-social associations regarding executive succession and found significant differences between the three types of organizations. While overall, 60% of the surveyed NPOs did not have a succession plan, nearly two-thirds of the associations had succession plans and less than one-third of the social cooperatives did. These differences can largely be attributed to historical and cultural reasons. The newer types of NPOs in Italy have much work to do on succession, and Bassi suggests that similar studies in other countries can help determine commonalities.

Petrescu focuses on changes in nonprofit organizations. Her article explores the positive impact a capacity building program had on nonprofit governing board leadership. She then analyzes the changes in leadership practices—particularly in goal- and direction-setting and strategic planning—of the board and the importance of these changes for organizations' sustainability. She found that the capacity building program's biggest impact was on setting future priorities, acting promptly to resolve issues, and evaluating the executive director's performance, which means that the boards are focused on long-term sustainability.

Wright takes on the issues of change in the environment, organization, and personal lives of founders or long-term executives in the succession process. Each of these elements is interconnected, as in Wright's analogy of the track, baton, and teammates in a relay race. The mutual influence each element has on the others requires many adjustments to successfully "pass the baton" of succession.

Call to Action: A Research Agenda

Succession planning and its attendant issues still need further investigation. Several years ago at an International Society for Third-Sector Research (ISTR)

conference in Barcelona, Spain, we (Santora, Sarros, & Bauer, 2008) raised some important questions in our paper about nonprofit executive succession issues we thought were relevant and ripe for research by nonprofit scholars. For example, we often hear and read sanitized versions of nonprofit executive succession events *post facto*. Indeed, it would be extremely interesting to get an insider's view of the political processes connected to nonprofit succession planning and executive selection processes. Some questions that also need addressing include the following:

- To what degree do external successors improve organizational performance?
- To what degree do followers accept outsiders versus insiders?
- To what degree do outsiders create organizational disruption by their leadership actions?
- To what degree do these organizations hire interim executive directors?

Such questions remain basically unanswered. Further, Gilmore (2012) and Gothard and Austin (2013) recently advocated linking nonprofit succession planning to organizational strategy; their suggestion certainly merits serious consideration and should be vigorously pursued.

We end our clarion call to action by asking for more international research on nonprofit executive succession issues. This special issue of *ILJ* is a partial response to such a call, but, in all honesty, it is simply a beginning. An exploration of these issues in non-U.S. countries would be extremely beneficial to see how other countries prepare for nonprofit executive succession (see Boland, Jensen, & Meyers, 2005; Comini & Fischer, 2009; Elkin, Smith, & Zhang, 2012; Godói-de-Sousa & Fischer, 2012; Santora, Sarros, & Cooper, 2011). Moreover, like Bassi (2013), in his article in this special issue, we strongly advocate the need for comparative country analyses (e.g., Santora, Sarros, & Cooper, 2011; Santora, Sarros, Kalugina, & Esposito, in press). We firmly believe that comparative research among countries will yield some fascinating findings which may suggest that nonprofits encounter the same challenges regardless of

location in the world. Finally, we truly hope this special issue will stimulate other researchers to heed our call for ongoing research on nonprofit succession.

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ARTICLES

Israeli Perspective on Nonprofit Executive Succession Planning*

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While there is ample literature regarding the rapidly growing Israeli nonprofit sector, scant attention has been paid to the particular considerations, challenges, and opportunities pertaining to succession planning in this unique sector. Consequently, this exploratory study investigates the degree to which Israeli nonprofit organizations prepare themselves for executive succession. Based on a survey developed by Santora, Sarros and Cooper (2009), the authors collected data on succession planning from the executive directors of 100 Israeli nonprofits and conducted comparative analyses on nine succession planning indicators. The findings suggest that most Israeli nonprofit organizations do not plan for succession, and they are also ill-prepared for succession. While these findings echo those of nonprofit organizations in other countries, they appear to signal a warning sign for the Israeli nonprofit sector given its importance as a dominant provider of services not provided by the public sector. Furthermore, the authors explore the major organizational impediments to succession planning in the context of Israeli society. Finally, practical organizational implications are considered, followed by suggestions for future research.

Key words: executive succession planning, Israel, leadership continuity, nonprofit organizations, top management attitudes

The leadership role of top management is crucial in nonprofit organizations (NPOs) (Ritchie & Eastwood, 2006) and entails the unique challenges of “integrating the realms of mission, resource acquisition, and strategy” (Herman, 2010, 157). The executive leadership role deals with distinct managerial challenges, including the following:

- Executive directors (EDs) have to maintain the financial stability of their organizations, which are highly dependent on fund-raising.
- EDs have to manage the work of volunteers, who are not employees in the conventional sense.
- EDs function in a vulnerable position between their boards of directors and their organizations’ staff.

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- EDs are the individuals with the most formal power in the nonprofit organizations, but they are pressured to satisfy the demands and fulfill the expectations of multiple stakeholders with often conflicting agendas, both inside and outside their organizations.

Despite the complexity of the ED's role, Sherlock and Nathan (2007) highlight the lack of organizational infrastructure dedicated to the development of their managerial talents:

These CEOs have no internal supervisor who is responsible for their development, and staff development efforts directed by the human resource function are typically focused on developing people in other positions in the organization. As a result, CEOs in nonprofit organizations must be self-directed in their learning to a greater extent than those in other organizational positions. (35)

This neglect can be viewed as a symptom of a broader issue in the nonprofit sector characterized by a puzzling lack of addressing a dramatic need—executive succession planning.

Leadership succession planning has attracted both scholarly research from a wide array of disciplines and heavy attention in the popular press in the last two decades (e.g., Giambatista, Rowe, & Riaz, 2005; Kesner & Sebor, 1996). The notion of succession planning ranges from any efforts to plan for top management succession to an expansive view of systematic internal talent development (Froelich, McKee, & Rathge, 2011). We adopted Santora and Sarros's (2001) definition of succession planning as "the process which plans organizational transference from one CEO/executive director to another and it involves the selection and appointment of either an insider or an outsider" (107). Evidence suggests that succession plans are associated with higher organizational performance via smoother transitions (Giambatista et al., 2005; Rollins, 2003). Succession planning is a means to increasing employee satisfaction as well as retaining talented employees (McConnell, 1996). A positive relationship was found between succession planning, management development, and ethical climate (Nieh & McLean, 2011).

Santora et al. (2011) identified three dominant themes in the nonprofit literature: most nonprofits have historically failed to develop a succession plan; nonprofits are ill-prepared for succession; and there is a major, dramatic leadership crisis in nonprofit organizations. The literature reveals a gap between the importance of succession planning and the viability of a nonprofit. These three intertwined themes are even more troubling given the economic recession, which has sharpened the importance of nonprofits in society. Kahnweiler (2011) highlights the following paradox: while NPOs' financial resources have become scarcer due to decreased funding, "the worldwide recession has resulted in more people needing more services delivered by NPOs than ever before" (84). Many NPOs' missions entail long-standing and complex problems. These missions require long-term funding, which is usually rare. Thus, many NPOs have become accustomed to planning and improvising along the way.

Although executive directors have major influence on the viability and, ultimately, on the success of their organization, there has been limited research focused on either nonprofit executive directors or executive transition processes (Froelich et al., 2011). Kesner and Sebora (1996) argue that four factors, which revolve mainly around the central figure of the ED, account for the scarcity of succession planning: (a) the special nature of the ED role, (b) the infrequency of ED succession, (c) the high-profile nature of ED succession, (d) and the role of EDs themselves in decision-making processes regarding their own departure from the organization. In this context, Sorenson (2004) raises an interesting explanation: "Succession planning is a bit like estate planning, often neglected in the face of taboos surrounding death" (103). Other scholars (e.g., Bell, Moyers, & Wolfred, 2006) point to the influence of the board of directors on executive tenure planning in a nonprofit. Other factors, including legal and financial considerations, also affect recruitment of executive directors (Renz, 2010).

The social and political nature of the nonprofit sector in any country adds more variance to understanding the complex phenomena of succession planning. Santora et al. (2011) compare succession planning data from nonprofits in Australia and the United States. Data have also been studied in other countries,

including Brazil and Chile (Comini & Fischer, 2009; Koljatic & Silva, 2007). We aim to explore this unmapped territory in the Israeli nonprofit sector.

The Israeli Nonprofit Sector

The Israeli nonprofit sector is highly researched. It draws academic attention due to its growing size and importance in the Israeli economy as well as in civil society. Since the late 1970s, the third sector has witnessed rapid growth, representing a surge in the scope and importance of Israel civil society and expressing the exceedingly pluralistic nature of Israeli society (Israeli Center for Third Sector Research, 2007). In economic terms, the Israeli nonprofit sector is one of the largest in the world. There are currently over 34,000 registered third-sector organizations in Israel, about half of which are active. On average, about 1,500 new organizations registered annually between 2007 and 2012 (Shlesinger & Leuchter-Levenglick, 2012). During 2010–2011, the Israeli third sector constituted 5.5% of the Israel's GDP and employed 375,000 workers who comprised 13.2% of the nation's workforce (Central Bureau of Statistics, 2012). According to the Johns Hopkins Comparative Nonprofit Sector Project, Israel ranked fourth among 22 countries (behind Holland, Ireland, and Belgium) in the relative size of its third sector within the larger economy (Shlesinger & Leuchter-Levenglick, 2012).

Gidron (1997) highlights two unique features of the Israeli third sector that can be attributed to Jewish history, sociology, and political culture. First, financial donations from the Diaspora have been supporting the Jewish community living in the Holy Land for centuries. Second, patterns of organizing and governance of nonprofit organizations that originate in Jewish communal organizations in the Diaspora still manifest in formal nonprofit organizations. Gidron also refers to the complexity of the Israeli society due to various unresolved problems, such as its relationships with the neighboring Arab states and the relationship between religion and state. The Israeli nonprofit sector constantly contends with the consequences of these unresolved issues.

The role of the Israeli nonprofit sector has undergone several major transformations during the state's relatively short history. According to Young

(2000), the Israeli nonprofit sector has evolved to operate in three parallel levels in relation to the Israeli government: (a) it operates independently as a supplement to the government; (b) it complements the government in a partnership relationship; and (c) it is engaged in an adversarial relationship of mutual accountability with the government. Since the 1990s, as the government's welfare state orientation has weakened, the nonprofit sector has played a more complex role. Accordingly, the boundaries between the nonprofit sector and the government are fuzzy (Young, 2000). Despite the resources allocated to the nonprofit sector, the government has not developed a clear policy regarding its place and role in society and the government's own relationship with the nonprofit sector (Bar & Gidron, 2010).

The current economic recession further highlights the growing importance of this sector in Israeli society, especially given the reduction in Jewish philanthropy since 2008. The pressure to perform effectively in a weak economy, highlighted by Marx and Davis (2012), is also prevalent in Israel. The economic crisis accentuates a need for leadership that will overcome challenges and maximize opportunities—key elements for the sustainability of nonprofit organizations.

While there is ample literature regarding the rapidly growing Israeli nonprofit sector, scant attention has been paid to the particular considerations, challenges, and opportunities pertaining to succession planning in this unique sector. Consequently, the aim of this study was to address this gap by examining data and current trends from EDs of Israeli nonprofit organizations.

Considering both the key role of executive leadership in nonprofits and the anticipated surge of leadership transitions, this study attempts to investigate the degree to which Israeli nonprofit organizations prepare themselves for executive succession. It also identifies the limitations of our study, which leads to recommendations for future research.

Method

This study has an exploratory nature, due to the scant empirical research on succession planning in nonprofit organizations. To collect our data, we adapted a

64-item questionnaire (spanning a range of issues from governance structures and operating strategies of participating organizations to the leadership development practices for staff in those organizations) developed by Santora et al. (2009). The questionnaire was translated into Hebrew by the authors and piloted with a group of five Israeli executive directors in the nonprofit sector. The questionnaire was modified based on feedback from the pilot respondents and then translated back into English to verify its accuracy. The revised questionnaire included five-point Likert scale questions, yes-no questions, and open-ended questions. Respondents had an optional opportunity to write a narrative in an additional comments section located at the end of the questionnaire. Analysis of the data focuses on descriptive statistics including frequency distributions, means, or rankings as appropriate to facilitate detailed descriptions of each organization in our sample and to enable comparison analyses.

Sampling Procedures

The data are based on responses to an online survey of Israeli nonprofit executive directors. The questionnaires were distributed to nonprofit organizations identified through a range of Web sites focused on the charitable and nonprofit sector. We also targeted the GuideStar Israel Web site (<http://www.guidestar.org.il>), which provides the most complete database available on all nonprofit organizations in Israel. It features official information, as listed in the Registrar of Non-Profit Organizations database of all NPOs in Israel, and is supplemented by more detailed and substantive information supplied by the NPOs themselves. Furthermore, respondents were approached through a monthly online newsletter posted on an Israeli-based Web site (<http://nptech.org.il>) of a nonprofit technology organization dedicated to the Israeli nonprofit sector. Finally, the sample was extended by distributing the Web-based questionnaire to several e-mail lists of nonprofit executive directors that we had acquired over time and by using our personal contact lists. Respondents were contacted by e-mail and invited to complete the confidential survey online. Survey data were collected in the initial mailing and with two follow-ups between July and November 2012. We received 100 questionnaires from Israeli executive

directors. As some of the returned questionnaires were only partially completed, the specific number of participant organizations is reported for each particular question described below.

The Executives

A profile of the executives who responded to our survey is presented in Table 1. The sample of executive directors ($N = 72$) in this study consisted of 38 (53%) men and 34 (47%) women. Most of our respondents were born in Israel (90%). The average age for Israeli executives was 46 ($SD = 9$). Most were university educated (96%): high school was indicated as the highest educational level by one (1%) executive; two (3%) indicated a certificate/diploma; 17 (23%) indicated bachelor's degrees; and 53 (73%) indicated postgraduate degrees. These data support earlier findings of U.S. and Australian nonprofit studies (e.g., Johnson, 2009; Santora et al., 2011). Fifteen executive directors were also the founders of their organizations. The participants reported an average tenure as executive directors in their current organizations of six years ($SD = 5.13$).

Table 1: Profile of Executive Directors (EDs)

	N	%	Mean	SD
Gender				
Male	38	52.8		
Female	34	47.2		
TOTAL	72	100		
Mean Age (in years)	76		46.39	9.07
Educational Level				
High School	1	1.4		
Certificate/Diploma	2	2.7		
Bachelor's Degree	17	23.3		
Postgraduate Degree	53	72.6		
TOTAL	73	100.0		
Founder of Organization				
Yes	15	20.5		
No	58	79.5		
TOTAL	73	100		
Tenure as ED in current organization (in years)	73		6.438	5.13

Participating Organizations

Table 2 provides a profile of the participating organizations in our study. Seventy seven (77) participants indicated the service type of their nonprofits. The types of organizations that received the highest representation in this study were civil society, law, social change, and politics (27%); education and research (27%); and welfare organizations (27%), followed by health organizations (8%), philanthropy organizations (3%), culture and leisure organizations (3%), infrastructure organizations (3%), labor organizations (1%), and environment organizations (1%). The organizations in the our study tend to be relatively small, mainly with 30 or fewer full-time employees and less than a \$5-million (USD) annual operating budget. These findings are consistent with previous research (e.g., Froelich et al., 2011; Israeli Center for Third Sector Research, 2007) suggesting a fragmented structure for the nonprofit sector, often representing the interests of minorities and marginalized groups. With regard to the funding profiles of the participating organizations, donations represented the primary funding source for majority (34%). In line with Santora et al.'s (2011) findings regarding their Australian nonprofit organizations, 21% of the organizations listed fund-raising as their primary funding source, which indicates a need to rely on government and private source funding for additional funding.

Government funding was reported by 17% of the nonprofit organizations in our survey as a primary source of funding, followed by philanthropy and self-income as the primary source of funding in 12% each of the participating organizations. It will be interesting to see if the percentage of organizations relying on self-income as a primary source of funding will increase as a result of the current turbulent global economy.

Table 2: Profile of the NPOs

	N	%	Mean	SD
Service Type	77			
Labor organizations	1	1		
Environment	1	1		
Civil society, law, social change, and politics	21	27		
Health	6	8		
Education and research	21	27		
Philanthropy	2	3		
Welfare	21	27		
Culture and leisure	2	3		
Infrastructure organizations	2	3		
Full-time employees	75			
1–5	21	28		
6–10	10	13		
11–20	9	12		
21–30	11	15		
31–50	6	8		
51–100	6	8		
101–200	5	7		
>200	7	9		
2011 operating budget (in millions)	69		4.76	11.09
\$100,000 or less	3	4		
\$100,001–\$250,000	11	16		
\$250,001–\$500,000	9	13		
\$500,001–\$1,000,000	11	16		
\$1,000,000–\$2,000,000	9	13		
\$2,000,001–\$5,000,000	9	13		
\$5,000,001–\$10,000,000	10	14		
\$10,000,001–\$25,000,000	4	6		
More than \$25,000,000	3	4		
Funding profile	76			
Primary source government funding	13	17		
Primary source donations	26	34		
Primary source philanthropy	9	12		
Primary source fund-raising	16	21		
Primary source self-income (membership/activity/service fees)	9	12		
Combination	3	4		

Results

Succession Planning Indicators

As stated previously, nine succession planning indicators were adopted from Santora et al. (2009) to assess the extent to which our participant nonprofits plan organizational transference of executive authority. The results are presented in Table 3. Succession planning indicators 1 and 2 indicate that most Israeli nonprofits do not plan for executive succession. Only 16% of the respondents in our study to that indicator reported that their organization has a succession plan. Not only that, but a formal (written) succession plan exists in only 7% of those nonprofits responding to that indicator. These findings are troubling, given the growing importance of the nonprofit sector in Israeli society. These results echo those of previous studies of U.S. nonprofit organizations (e.g., Froehlich et al., 2011; Santora et al., 2011). Despite the increased attention given to succession by scholars and practitioners as a key to continuity of organizational activity, most nonprofit organizations are seemingly doing relatively little to promote it.

Table 3: Succession Planning Indicators

	<i>N</i>	<i>n</i>	%
1. The organization has a succession plan.	70	11	16
2. The organization has a formal (written) succession plan.	70	5	7
3. The organization has a deputy.	73	32	44
4. The deputy will replace the executive director (ED).	73	9	12
5. A policy exists regarding internal applicants for senior management positions.	72	24	33
6. The board is likely to recruit an internal replacement.	67	24	36
7. Previous EDs have been internal.	52	17	34
8. The ED always or often advises the board on succession planning.	62	13	21
9. The ED is involved with the board in the selection of an incumbent.	64	13	20

The subsequent succession planning indicators (3–7) provide warning data about the issue of internal succession and manifest the lack of succession planning structural practices in the Israeli third sector. According to succession

planning indicators 3 and 4, 44% of the organizations responding to these indicators have a deputy, yet these deputies are expected to replace the ED in only 12% of these nonprofits. These findings suggest that the role of deputy director in the participating nonprofits is not perceived as crucial for the governance of the organizations.

Succession planning indicators 5, 6, and 7 sharpen the picture: Only a third (33%) of the nonprofits responding to indicator 5 had a policy regarding internal applicants for senior management positions. Similarly, only 35% of respondents to indicator 6 reported that their board is likely to recruit an internal replacement. Previous EDs have been internal in only 34% of the respondents to that indicator. All in all, it is evident that nonprofits do not look inside their own organizations for executive replacement. These findings echo those of Santora and Sarros (2001).

Succession planning in the nonprofit sector is linked to the broader issue of governance. Succession planning indicators 8 and 9 are relevant for understanding the relationship between boards of directors and their EDs and the role of boards in succession planning. Our findings suggest that the frequency that EDs advise boards on succession planning is rather low with only 21% of the EDs responding to indicator 8 that they advise their boards of directors on succession planning often or always. While for another 21%, the frequency of doing so is "sometimes," the majority of the EDs responding to this indicator (58%) never or rarely advise their boards on succession planning. Obviously, this subject is not a top priority on board agendas. It is interesting to find out the extent to which EDs are involved with board in the selection process of their incumbent. As indicated by succession planning indicator 9, the EDs are involved in this strategic decision process in only 20% of the nonprofits responding to this indicator. Mostly, various combinations of board members, without the ED, dominate the selection of the incumbent.

We suggest that the findings regarding the board's influence on succession planning can be explained by two factors. First, the Israeli Law of Associations might cause nonprofit governance to suffer from unclear conceptions of the division of labor between boards of directors and executive directors. A board of

directors is a “governing body ultimately accountable for all acts undertaken in the name of the organization, including by staff and volunteers” (Renz, 2010, 128). Israeli law does not mention or acknowledge the role of executive directors in nonprofits. Even though the board of directors of a nonprofit may assign an executive director, the board remains legally responsible for all aspects of governance of the organization. This state of affairs may be clear legally, but it is complex in organizational terms. It might account for the lack of needed practices that would ensure long-term executive stability.

Second, it is evident in the literature that board–ED relations are highly complex (Herman, 2010). Board members are uncertain both of their roles and of those of their executive directors (Harris, 1993). Power patterns characterize board–ED relations (Murray, Bradshaw, & Wolpin, 1992), and these relations vary at different times in the same organization (Golensky, 1993). Unsurprisingly, the complexity of this relationship might negatively impact the nonprofit (Exworthy & Robinson, 2001). As Mole (2003) states, “The problematic nature of board roles—whether over-involvement in organization routine or under-involvement in critical decision-making—all leave the chief executive vulnerable” (152).

Discussion

The literature emphasizes the pivotal role of executive leadership in the effectiveness of nonprofit organizations (Herman, 2010). Our findings reinforce the notion that the executive director has a critical impact in setting the direction and performance of a nonprofit organization, with 57% of responding executive directors reporting that they have changed the strategic direction of their organization since their appointment as the executive directors. Some examples of these changes include a structural change to the organization; redefinition of the organization’s vision, goals, and objective; fund-raising restructuring; development of income-generating pathways; entry into new programs; business development and entrepreneurship; and massive recruitment of new professional employees and volunteers. Given these data, it is troubling that these influential

EDs do not report organizational practices that would secure nonprofit management after their departure.

The significance of executive transitions will become more urgently felt as the large baby boomer generation is now reaching retirement age (Bell et al., 2006; Cornelius, Moyers, & Bell, 2011). This demographic change is apparent not only in the United States, but in Israel as well. Based on Israel's Central Bureau of Statistics (2012) report, by the end of 2011, approximately 10% of the total population of Israel was age 65 or older. This figure is projected to increase to 14.6% by 2035, when more than 1.6 million Israelis will be 65 or older. Globally, the population of older persons is growing at an annual rate of 2.6%, considerably faster than the population as a whole, which is increasing at 1.2% annually. According to the *World Ageing Report* (United Nations, 2010), this trend of annual increase in those reaching the age of 65 is global. The proportion of older persons (i.e., those aged 60 years or over) has been rising steadily, climbing from 8% in 1950 to 11% in 2009, and is expected to reach 22% in 2050. These demographic changes will continue to dramatically influence the labor force, as well as organizational structures and roles. Therefore, executive succession planning in the Israeli nonprofit sector deserves increased attention as the population reaching retirement age steadily grows.

Our findings suggest that succession planning is not common as a notion or practice in the nonprofit sector in Israel. While these findings are not surprising based on the succession planning literature, the implications are troubling. Not only are Israeli nonprofits ill-prepared for executive transitions, they also maintain organizational practices that might decrease the chances of grassroots succession planning based on internal forces. According to our study, less than half of the organizations have deputies, yet these deputies are not likely to replace their EDs. Such practices are worrisome especially given organizations' awareness for talent management and talent development, which are supposed to strengthen organizational readiness for succession planning (Rothwell, 2010).

Having stated the importance of executive succession planning in Israel, it is essential to next move toward identifying the unique local factors associated with

the lack of succession planning. In addition to the influential role of boards on executive succession planning mentioned above, we also propose that several factors are linked to lack of succession planning in Israeli nonprofits. First, executive compensation in the Israeli nonprofit sector is considered to be lower than it is in the other two sectors. It is possible that succession planning is hindered by a lack of financial ability to draw capable and promising executives to third-sector organizations well in advance as part of a formal succession plan that entails commitment on both sides—the NPO and the future ED. Second, perhaps the rapid growth and growing dominance of the Israeli third sector from the late 1970s through today has created a sense of complacency in nonprofits. Third, the highly volatile political environment of organizations in Israel, including nonprofits, might bias nonprofits toward focusing on the short term rather than the long term, thus neglecting planning for future changes including the departure of executives. It is fair to assume that these factors also influence one another, thus complicating organizational readiness for transitions of executive directors.

Conclusion

As mentioned, the issue of executive succession planning in the Israeli third sector remains an uncharted territory. Scant attention has been paid to the particular considerations, challenges, and opportunities pertaining to succession planning in this sector. This study adds Israeli data to the growing cross-cultural body of knowledge on executive succession planning. Further research is needed to deepen our understanding of both the Israeli third sector and, in particular, the scope and character of its succession planning practices, which are rather underdeveloped. We suggested factors that may influence succession planning, including executive compensation and the influence of the board of directors. Future examination is necessary to better understand the relationships between succession planning and key organizational factors. As our findings are based on a relatively small sample of Israeli nonprofits, we recommend that this study be replicated with a larger and more diverse sample of the growing nonprofit sector. Additionally, it may be relevant to match the questionnaire data

we used with qualitative data based on interviews with both executive directors and board members. Many issues deserve scholarly attention: How do board members view succession planning practices of executive directors? What factors encourage them to implement such practices, and which factors inhibit such organizational action? It would be fascinating to draw a distinction between the EDs' views with those of their board members. Another promising direction is to compare—perhaps via case studies—the organizational long-term functioning of nonprofits with executive succession planning to their counterparts lacking such practice. Finally, it is hoped that the findings from this study assist nonprofit leaders in preparing for the challenges the future holds for this important and unique sector.

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Mapping of the Succession Process in Nonprofit Organizations in Brazil^{*}

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The blossoming of the third sector in Brazil, the visibility of which has been immensely magnified due to a concerted effort by the media and society at large, bears witness to the desire and expectation for social-political participation of several segments of the population who were unable to demand and exercise such rights during the period of dictatorship. However, it has also brought in its wake increased administrative and technical complexity in the management of NGOs. Brazilian scholars have focused on succession in for-profit and family-run organizations, overlooking the debate about preparing successors and managing the executive succession process in NGOs. There seems to be a simple-minded expectation that a “clone” of the founder will materialize spontaneously, and that the process of handing over the reins will be a natural and painless one. However, the succession process provides a unique opportunity for an organization to move forward. This study focuses on this unique situation in the attempt to measure the level of consciousness about the issue of succession of executive directors of Brazilian NGOs and the difficulties they face. This quantitative study of organizations concentrated in the areas of education, citizenship, and advocacy for children and young people adds depth to results obtained in previous qualitative studies conducted by the authors. The study concludes that concern about the succession process is more evident in younger organizations, suggesting that concern about succession is more visible in organizations formed against the backdrop of increasing pressure to institute professional management in the third sector.

Key words: human resources, nonprofit organization, succession, third sector

In recent years, social entrepreneurship has come to occupy the role played by philanthropy throughout the 19th and 20th centuries. It is not just a semantic modernization, but a conceptual paradigm shift. While philanthropy expressed a love for humanity by seeking to meet the needs of individuals and groups excluded from social and economic benefits, entrepreneurship calls for overcoming inequalities through citizen empowerment.

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In Brazil, social entrepreneurship had its origins in several initiatives. Whereas the earliest ones were linked to religious entities and directed predominantly toward assistance and philanthropic activities, the latest have arisen from the social movements that succeeded in reinstating the rule of law after more than 20 years of military dictatorship and in expanding the range of civil, social, and environmental concerns in the country (Fischer, 2002). It is this latter scenario, mainly in the second half of the 1990s, which saw a quantitative and qualitative growth of the nonprofit, nongovernmental organizations referred to as *third sector organizations* (TSOs). These are environmental NGOs, advocacy institutes, charities, social organizations, community associations, and private foundations, working in various public purpose areas, mainly education, health, social assistance, environment, and sustainable development.

The emergence of this sector attests to the need and expectation for social and political participation by all population segments, which were often unable to demand and fully exercise their citizenship rights during the authoritarian military dictatorship in Brazil (1968–1985). The sector's visibility has been magnified by interest from the media and civil society, and it is accompanied by increased administrative and technical complexity in the management of TSOs, which are also known as civil society organizations (CSOs). In the 1970s, semi-clandestine social movements organized themselves fairly spontaneously, with a high degree of informality, but the 1980s and 1990s produced the challenges of legal formalization; administrative organization; fiscal and tax commitments; and the formal management of finance, accounting, and human resources.

During this phase of formalization, entrepreneurs emerge. Some are the initiators of the organizations, with all the behavioral attributes and skills inherent in founders: enthusiastic and able to foster enthusiasm, dedicated to the cause, courageous in the face of adversity, and able to transform a dream into reality. Other entrepreneurs are the ones who can raise organizations up to required standards of modernity: professionalize management, streamline processes, and improve fund-raising performance. While both types are essential characters in

the strengthening and development of their organizations, they do not last forever.

Both the academic literature and management practice have neglected the debate about the preparation of heirs and the management succession process in TSOs. Naively, many organizations seem to expect a spontaneous emergence of a “clone” of the founder, and that the passing of the baton will be a natural and painless process, but it is often not so.

Theoretical Framework

Current Challenges of Nonprofit Organizations

Today, the third sector has a large and diverse presence on the Brazilian scene, consisting of nongovernmental organizations, private foundations, social service agencies and charities, religious organizations, and cultural and educational associations, all playing roles that do not differ significantly from the standard of performance of similar organizations in developed countries. These organizations vary in size, degree of formalization, amount of resources, institutional goals, and means of action. This diversity stems from the richness and plurality of Brazilian society and the various milestones that have defined the institutional arrangements of relations between state and market.

The Central Register of Enterprises of Brazil's National Census Bureau (IBGE, 2008), indicates that there were 338,000 officially registered private foundations and nonprofit corporations in 2005, and that 42.4% of these organizations were concentrated in the country's southeast, including 20.3% in São Paulo and 12.2% in Minas Gerais.

TSOs, like organizations belonging to the first (public) and second (private) sectors, have been affected by technological advances and economic globalization. Everything from the patterns of production to the sphere of individual behavior has changed, causing these organizations to struggle with issues very similar to those faced by other types of organizations: namely, generating results that demonstrate efficiency and effectiveness, raising sufficient

funds for the continuity of their activities, and developing the ability to monitor the constant changes that affect their performance (Fischer, 1998).

Thus, the current context of third sector organizations is that of “competition,” not in the sense of having the predatory nature or market reserves of second sector organizations, but in struggling for scarce resources from for-profit organizations that perform private social investment and international foundations or public agencies that seek to establish agreements and partnerships with social organizations. This presents many challenges for TSOs, and almost all hinge on the question of managerial competence. Effectiveness and efficiency are the keynotes of a discourse that seeks to balance the scarcity of resources with the need to increase production capacity, improve service quality, introduce technical and technological improvements, pay experts, and attract and retain volunteers, among many other problems.

The sustainability challenge emerges, then, as one of the main drivers of the need for professional management in TSOs. According to Ashoka Empreendores Sociais and McKinsey (2001), “the concept of sustainability refers to an organization’s ability or inability to maintain its operations without relying entirely on the donation of resources by individuals or corporations” (16). While often analyzed from this perspective of diversifying funding sources, the issue of sustainability also involves a complex set of factors that, in turn, reinforce the need for professionalization. Ashoka and McKinsey also note that the sustainability challenge includes the ability to develop projects to generate revenue, professionalize human resources and volunteers, attract partners/members of the organizations, establish communication strategies, evaluate results, and develop a highly efficient management structure.

Managing People in the Third Sector

All human endeavors have depended on the ability of people to work and their efficiency in organizing their activities and furthering their relationships in order to achieve their organizational goals. Organizations are places where people use their skills to fulfill the *raison d’être* of each enterprise. One of the major theoretical and practical challenges for management is to have people

incorporate organizational goals, committing to carry them out efficiently and effectively. To achieve this commitment, modern organizations excel in modeling management systems that value human labor and promote the continuous improvement of human resources. The challenge in doing so has been faced more often by business organizations, given that market competition makes companies more vulnerable to any shortcomings in the performance of their employees. However, because of the rapid changes that have occurred over the last 20 years, TSOs have recognized the need for continual development of organizational performance.

In their study, Bose and Schoenmaker (2006) found that Brazilian CSOs do not employ systematic management policies to manage their human resources, reflecting an organizational culture in which work does not hold significant value. Similarly, a survey conducted to assess work compensation and reward practices found that, although knowing and appreciating modern methods such as competency management, directors and managers of CSOs do not consider these to be applicable to their organizations (Hipólito, 2004). Shortages of financial resources, excessive sophistication of modern techniques, and lower requirements for well-defined professional competencies are some of the arguments that seem to mask the tendency to neglect the importance of personnel management in CSOs (Fischer, 2004).

Initially, these observations point to a great resistance against the adoption of training and management techniques on the part of Brazilian TSOs, often due to a fear that the incorporation of such tools will result in a deviation from the more comprehensive values and goals that guide these organizations (Roesch, 2002; Teodósio & Brum, 2000; Teodósio & Resende, 1999). Amateurism thus becomes a characteristic inherent in the management of these organizations, arising from resistance to the adoption of more structured models, as well as the development of an “in-house management style” (Falconer, 1999, 2000; Tenório, 1997).

Flexibility is highlighted in this particular style of management as a hallmark of the day-to-day operations of these organizations (Adulis, 2001; Roesch, 2002), which is intrinsically related to another key aspect, informality, expressed in

organizational practices through a lack of systematic procedures and policies (Falconer, 1999; Teodósio & Brum, 2000; Teodósio & Resende, 1999). According to Tenório (1997) if, on the one hand, such informality and the absence of written policies and procedures make these organizations more agile, on the other hand, it hinders their management because the roles and responsibilities of their members are not clearly defined. Flexibility and informality can lead to slower execution of activities and processes, a result of situations in which members do not know who should do what or what should be done. One also runs the risk of duplicating or simply abandoning certain activities.

Two further consequences of the flexible and informal character of TSOs concerning personnel management should be emphasized. The absence of rigid controls and regulations is associated with a favorable work environment, which is essential for the retention of volunteers (Teodósio & Brum, 2000; Teodósio & Resende, 1999). However, the lack of strict standards can lead to situations in which incompetent people remain in the organization (Falconer, 1999).

Informality is also blamed for the difficulty that TSOs have in establishing clear hierarchies of authority and formal reporting relationships (Falconer, 1999, 2000). Leaders, particularly of smaller organizations, tend to maintain a close relationship with employees, based on values such as proximity, affection, harmony, and trust (Teodósio & Brum, 2000; Teodósio & Resende, 1999).

As a result, managers have problems reconciling the ideological aspects of their roles as leaders with the optimization of internal management processes. Moreover, they generally divide their concerns between everyday operational problems and strategic issues (Teodósio & Brum, 2000; Teodósio & Resende, 1999). In spite of the centralizing nature these findings indicate, the participatory processes of management, planning, and decision are a hallmark of TSOs (Falconer, 1999, 2000, Roesch, 2002; Tenório, 1997). More participatory forms of management reinforce the culture of teamwork, which is very present in TSOs. As the dynamic of production is always collective, group work is constant, resulting in a high degree of shared activities (Tenório, 1997). Therefore, the

existence of conflict is fully accepted as an inherent part of these organizations (Falconer, 1999).

Another relevant feature of TSOs is the existence of intrinsic motivation and commitment on the part of the professionals and volunteers who work in them, invariably related to the values that are practiced and/or the cause the organization supports. According to Raposo (2000), their motivation comes from the possibility, offered by the third sector, of bringing together the need to work and the achievement of a "project of civic life." Falconer (2000) notes that there is a high level of engagement, even among the professionals who perform activities considered to be bureaucratic or of less importance. Specifically in the case of volunteers, it is observed that their retention is related to the maintenance of values and goals of the organization, as well as its internal and external credibility. (Teodósio & Brum, 2000; Teodósio & Resende, 1999). Thus, the institutional mission and values gain special attention because these organizations appear to be driven by mutual trust and solidarity. The institutional mission acquires strength and identity in an environment wherein work is motivated by a shared ideal (Falconer, 1999, 2000; Roesch, 2002; Tenório, 1997). In this context, individual rewards are valued less than the values and goals of the organization, as well as the roles played by its members (Falconer, 1999).

However, the scarcity of financial resources justifies the choice of volunteer work and the necessity of low wages (Teodósio & Brum, 2000; Teodósio & Resende, 1999). Falconer (2000) notes that the practice of paying wages below market value occurs even when the organizations are able to pay salaries comparable to those in other sectors. Because of the absence of career plans and wage policies, an internal wage imbalance is also present in these organizations (Bose, Tadeu, & Rocha de Mello, 2003). We must also consider that the use of volunteer work is not only justified by the cheapness of labor, but also by the culture of solidarity that permeates TSOs. However, the use of this form of work also brings about some management difficulties, such as preparation and qualification, control and regulation, performance evaluation,

absenteeism, and lack of punctuality (Teodósio & Brum, 2000; Teodósio & Resende, 1999). Procedures aimed at recruitment and training, the sharing of the organization's values, the definition of work plans, and individual counseling are not common practice in the management of either the volunteer corps or the permanent employees of these organizations. Performance evaluation is often subjective, collective, or simply not performed (Falconer, 1999, Bose et al., 2003). Tenório (1997) points out that there is no systematic data about the activities performed for evaluation of managerial performance.

The selection of new employees also tends to be unsystematic and unstructured, based on the affinity of the candidate with the organization's vision and availability for work. These candidates are usually recruited through the recommendation of third parties, members of the organization, and the people it assists (Falconer, 1999; Teodósio & Brum, 2000; Teodósio & Resende, 1999).

Personal development is another factor emphasized by some TSOs. Roesch (2002) notes that even managerial skills are developed through experience and peer support. While for-profit organizations seek to develop through the academic competence of their human resources, the literature relevant to the third sector is limited to describing more or less obvious and generic leadership characteristics and attributes of entrepreneurship. This is very worrisome, given that the selection and preparation of successors requires clarity about the attributes required to ensure organizational continuity.

The issue of succession in TSOs has been widely discussed, at least in the United States. The Foundation Center, established in 1956, which brings together the major U.S. foundations and nonprofit organizations, has over 50 articles on its Web site.

The Succession Process

Succession processes in any kind of organization are complex and often exhausting, even when planned. This is a critical time for ensuring the continuity of the organization. If the succession is not planned and organized, it runs the risk of future major conflicts between the successors and the staff who work in the organization. It is imperative to lay the groundwork that will regulate the

succession process and prepare for changes to ensure the sustainability of the organization. (Comini & Fischer, 2009; Leone & Fernandes, 1996).

By and large, succession refers to a very specific question: "Who will be the next leader of the organization?" This view, however, is too narrow; concerning oneself solely with answering this question will not guarantee the perpetuation of the organization. In order for leadership to act effectively, there are many alignment actions that must occur first, particularly to make the founder aware that succession is a collective and complex process, involving diverse stakeholders of the organization, for building a respected and legitimate structure (Bernhoeft, 2006). According to Rothwell (2005), the succession process is a systematic effort by an organization to ensure its continuity, maintain and develop new skills, and leverage its development, taking a strategic view of what is desired for the future. Its main objectives are aligning the current talents with the leaders needed in the future, overcoming strategic and operational challenges with the right people at different times, and ensuring the continuity of the organizational memory and culture. This desire for self-perpetuation is a major factor of a successful process of succession and continuity. At first, it translates into the founder's desire for the "creature" to outlive the creator. Later, in future transitions, there should be awareness that this is a constantly evolving process that does not depend on only one individual. Rothwell, therefore, proposes a step-by-step model for establishing and maintaining a systematic succession planning program,

- Clarify the CEO's expectations.
- Establish competency models.
- Conduct multi-rater, full-circle assessment.
- Establish (or re-engineer) a performance management system.
- Establish potential assessment.
- Establish a means of ongoing individual developmental planning.
- Implement individual development plans.
- Establish a competency inventory.
- Establish individual and organizational accountability.
- Evaluate results.

The proposed steps seem obvious and simple. However, the complexity lies in its implementation. According to Gersick, Davis, Hampton, and Lansberg (2006),

the process is complex because it implicitly incorporates two situations: succession and continuity. Succession reflects the sequential aspect of the transition, when one situation must end and be “succeeded” by another. Continuity refers to the aspect of the present world that needs to be preserved in the new era. Both, with the proper balance, are necessary to minimize the negative consequences of the transition of leaders or founders.

Popoff (1997) proposes that succession planning should be a core value in organizational culture through the development of persons with the primary responsibility of the leaders or founders. The succession strategy should cover six transitions:

- from a sporadic event to a continuous process,
- from a short-term replacement strategy to a long-term development and retention strategy,
- from an emphasis on “whom we have” to one on “what we need,”
- from blocking entrance to positions to an appropriate rotation of leadership positions,
- from an insufficient workforce to a set of available talents, and
- from a subjective assessment to an emphasis on tangible results and measurements.

Roles and Responsibilities in the Succession Process

Price (2006) emphasizes the responsibility leaders and the boards TSOs have to act together in structuring the succession process. Too often leaders or founders, in general, do not plan the transfer of power, thinking that their stay in the organization is eternal, and this lack of succession planning stirs up conflicts. These conflicts are born with the organization, remaining dormant during the life of the leader or founder, but are triggered at the moment when, sometimes without realizing it, the leader must leave the management of the organization due to age, exhaustion, or even out of a desire to “follow new paths.”

Particularly relevant to TSOs is the issue of the charismatic founder figure who has a strong influence in shaping the organization’s culture and identity (Fischer, Comini, & Bose, 2009). In this situation, employees legitimize the leader, often conferring on him or her legendary status. It is very difficult to manage the conflicts generated by the succession process, preparing the new leader and the

organization to confront the possibility of demystification. Because leadership is not transferred, but conquered, it is the successor's task to build and gain legitimacy vis-à-vis the organization, managers, employees, partners, and community.

Based on a survey of more than 40 social organizations in Latin America, Austin, Gutierrez, Ogliastri, and Reficco (2006) showed a close correlation between the life cycle of a social enterprise and the leader's role in achieving better results. In addition, the skills desirable or necessary for enabling the leader to exercise these roles more effectively can be identified. These attributes are individual skills but should, according to the authors, become organizational capabilities. Austin et al. suggest four quite remarkable steps: the first stage is the initiative of an action by an individual who identifies a socioeconomic-environmental problem and develops a project that contributes to its solution. At this early stage, it is vital that the entrepreneur have the ability to identify and seize opportunities regardless of resources available. Above all, he or she should be capable of analyzing the social context, based on the diagnosis and analysis of the causes and symptoms of social problems in his or her surroundings. The founder of the enterprise implements the initiative from his or her hierarchical position, network, and resources. On some occasions, the entrepreneurial ability is driven by altruistic motivations to enable a project of social transformation.

These founders then realize that an action will only be viable if the organization becomes institutionalized, marking the second stage of the cycle of a social enterprise. In this step, leaders feel the need to develop organizational structures, policies, procedures, and systems so that their undertakings enjoy good administration, are economically sustainable, and generate social value. In this sense, the organization's strategy and mission should be aligned with the programs developed. The ability to reconcile the strategic focus of social entrepreneurship with the needs and expectations of different interested parties (internal employees, organizations or individuals that provide resources, beneficiaries, etc.) becomes one of the most important attributes of leadership. In

this phase, leaders should be able to encourage employees to become motivated and committed to the cause.

The expansion of social activities can lead to difficulties in the functioning of the organization. This phase requires a participatory type of leadership to achieve efficiency and effectiveness through the development of coordination mechanisms, which will ensure a balance between decentralized activities and alignment with the organization's strategy. During this phase, a leader must take on a mentorship role and an attitude of empowering employees so that they can take responsibility for the operation of autonomous units. Austin et al. (2006) note that a good decentralization process may help expedite a transition process when the central leader decides to leave the organization.

The fourth step is marked by the phase in which the social enterprise conducts various programs and decentralized actions, characterized by Austin et al. (2006) as a *conglomerate*. The intense decentralization of operations can cause expansion and diversification of social enterprises (in terms of regions, products, or services). In this situation, many organizations are faced with the need to concentrate some management functions in a central unit to exploit synergies and avoid tensions between the autonomous units. The goal of leadership is now to reconcile interests, coordinate various programs and units, consolidate strategic partnerships, and gain greater visibility outside the organization. In this sense, negotiation skills and political coordination are required.

Dilemmas in the Succession Process

Leone and Fernandes (1996) identify some conflicts in the succession process, the dilemmas of "passing the torch." One such example is when the leader to be succeeded is faced with uncertainty and doubt in the transmission of power. What is the best solution for this problem? Remain in the organization until his or her death? Choose a successor within the organization, a family member, or other qualified person in the market? Seek partnerships with other organizations or pass on a heritage that took decades to build? The founding leader's resistance to leaving power and becoming part of a board or departing from the organization, channeling energies into other activities, is the major factor in the

succession conflict. This resistance carries a strong emotional factor in which the current leader always thinks it's too soon to talk about it. This is also closely related to the leader's fear of seeing someone destroy a dream built with sweat and grit, one that bears in its culture all the soul and character of its founder.

Another dilemma mentioned by Leone and Fernandes (1996) is the choice of successor. The outgoing leader faces a number of options and, in most cases, suffers from not knowing which will be the best one. It is essential that the selection occur as soon as possible, allowing greater flexibility in the structure of the transition. People can be tested in different roles to assess their maturity and commitment, which allows the leader to be succeeded to guide the process, thereby contributing to the development and legitimacy of his or her successor.

In some situations, disputes may occur between potential successors. When the succession process is planned and organized, the conflict can be alleviated when the successor is named. Otherwise disagreements, misunderstandings, and lack of clear decisions can lead to the disintegration of the organizational culture.

Method

The potential for dilemmas arising from succession processes in family-run and multinational companies highlights the need for a study focused on TSOs. The aim of this study was to evaluate the level of awareness among executive directors of Brazilian NGOs concerning the issue of succession and the difficulties they face in planning for succession.

We sent an exploratory descriptive online questionnaire to representatives of TSOs. The survey was available through the Survey Monkey tool for a period of one month (March 2011) and was divided into 11 blocks:

1. Organization Data
2. Data about the Respondent (Chief Executive)
3. Organizational Structure
4. Governance
5. Succession Plan
6. Policies and Organizational Power
7. Strategic Objectives

8. Exercise of Function
9. Management
10. Organizational Performance
11. Management Development

In the absence of a single database aggregating all the nonprofit organizations active in Brazil, different strategies were used for sending the questionnaires, including contact with local organizations that foster both social entrepreneurship in Brazil and networking, contact with Brazilians that study social entrepreneurship, and the researchers' personal contacts. We obtained 124 valid responses from the executive directors of organizations.

Results

Most organizations surveyed (73%) were founded in the 1990s, when social entrepreneurs began to appear in the Brazilian panorama. The other 27% of responding organizations were older organizations established prior to 1990. This finding may indicate that in this period, civil society had a reduced ability to organize itself, or that there was difficulty in ensuring the sustainability of organizations in the long run. However, 63% of the organizations are associations (legal entities under private law that constitute the union of people who organize themselves for non-economic purposes, pursuant to Law No. 10406/2002 under the Civil Code), Associations are mandated by law to establish an assembly (the highest body of deliberation) and an administrative body (manager/executive), whose mode of formation and operating as well as the approval of its accounts should be included in its bylaws.

In 2010, 54% of the responding organizations reported an annual revenue exceeding \$500,000. There was a 23% growth from the previous year (2009) in the number of organizations that generated this level of revenue. Despite high revenue, most of the responding organizations rely on volunteers—80% use volunteers, 57% employ workers under the Labor Code, 41% hired freelancer workers, and 59% have service providers working regularly.

The survey also shows that 48% of respondents have been in leadership positions for less than five years, and 19% have led for between five and ten

years. Less than half of the executives who participated in the survey (40%) have completed higher education, and only 27% are postgraduates. Nearly half (48%) of the executives surveyed fall in the age range of 41–60 years, 30% of which are baby boomers (41–50 years old) who will probably be retire or reduce their workload in the next ten years. This is the first indication that organizations have that a succession process should be highlighted in their strategic plan. When asked how long they wish to remain in their positions, 54% of respondents intend to leave their functions within five years, and 33% intend to leave between one and two years. This is the second indication that most organizations will need to renew their leadership in coming years, so concern about the formation and retention of trained professionals in their organizations and with the succession process should be a priority in their agendas.

Regarding their career path, 45% of respondents cited the second sector as professional experience prior to their current function; 28% came from the first (public) sector, and a minority of 13% previously worked in the third sector. One reason for the low percentage of professionals with third sector experience is the recent professionalization of third sector organizations, combined with a dearth of professionals with the profile and skills necessary to assume leadership positions. TSOs cannot compete with the second sector in terms of wages and benefits and thus cannot retain its professionals.

Most of the founders (71%) remain in control of the organization. This indicator changes based on the period of creation of organizations: only 50% of respondents who launched their activities before 1990 indicated that they have already made a renewal in the position of chair. This percentage drops to 30% for organizations that were created in the 1990s, and 16% for those established in the 2000s. The survey results also show that more than half of the organizations (55%) have a board of directors, and among these, 47% have the role of advisors in the succession, as defined by statute. According to the respondents, 42% of boards are composed of one to five members and 36% have between six and ten members.

When asked under what circumstances the organization's succession process begins, 38% of respondents said the process begins after a period determined by statute, while 16% indicated the expected departure or absence of the primary executive/manager, and 6% indicated the unforeseen departure or absence of the executive/manager as the main reason for the start of the succession process. However, less than a third (32%) of respondents stated that their organization has a succession plan in place, and only 26% of organizations reported having a formal succession plan, with most of these plans (88%) being laid out in their statutes.

The results show that concern about the succession process is more evident in younger organizations: 40% of organizations created after 1990 have indicated that they have a succession plan, compared to 13% of organizations established since the late 1970s. For organizations created before the late 1970s, the percentage of formalization falls to 6%. This result suggests that concern about succession is most visible in organizations established against a backdrop of increasing pressure to professionalize management in the third sector.

When asked if one of the chief tasks of the organization was the preparation of and/or discussion with other employees about succession planning, 51% of respondents answered affirmatively, 13% were unsure, and 11% said that this activity is not their concern. On the other hand, the board's role in the succession process is defined in the statutes of 38% of organizations surveyed; in 34% this role is not defined or does not apply, and 28% did not answer this question. Contrary to what Price (2005) recommends concerning the board's role in the succession process in civil society organizations, the results of this survey indicate that the boards play a secondary role in the succession process in the third sector.

In addition to the nonexistent or insignificant performance of the boards, it was noted that civil society organizations are faced with a situation of complete uncertainty about the choice of the future executive: 27% of the respondents did not answer the question about who will choose the successor, and 16% said they were uncertain about who will choose him or her. Most organizations in the

sample, approximately 60%, have not yet chosen a replacement, and of these, 31% prefer an internal professional. This proportion increases to 38% among the organizations created in the 1990s. In this context, the role of deputies in organizations deserves further discussion, since 33% of the respondents reported that it is unlikely that the leader will be succeeded by his or her deputy. The lack of a successor, or even a plan, in most organizations, and the answers to the survey questions suggest that there is a lack of awareness of the subject of succession and its implementation.

This picture of uncertainty regarding the replacement of the organization's current leader is not exclusive to Brazilian third sector organizations. A 2010 survey on CEO succession—conducted by Heidrick & Struggles and Stanford University's Rock Center for Corporate Governance among 140 CEOs and boards of directors of public and private companies in North America—showed that more than half of the respondents would be unable to indicate the name of their replacement if they suddenly became unfit for office. Another interesting research finding was the fact that 69% of respondents said they needed a professional ready to replace them immediately (69%), but only 54% were preparing someone to do it. Finally, the survey indicated that boards of directors spend an average of just two hours a year addressing the process of succession of their businesses.

Although the choice of successor is not made or prepared, this situation does not seem to concern current executives of TSOs in Brazil. Half of the respondents reported that there are significant barriers to the implementation of succession planning in their organizations, even if there are actions to prepare employees to replace them. The cited barriers include lack of interest in the position (usually unpaid), lack of competence to assume the role, lack of long-term vision, and difficulties inherent in the management of the institution. Because 71% of the founders are still in charge of the organizations, it would be unlikely that the responses would point to the founders themselves as barriers to the succession process.

Professional development programs for employees were deemed important by 60% of the executives who participated in the survey. Of the organizations surveyed, 39% offer training programs for part of their team, 14% train all the staff, and 29% have no training at all. It is noteworthy that nearly half of the executives (47%) did not indicate the existence of training in their organizations, including the 18% who did not respond to this question.

With regard to management development, three core competencies were listed for managing a civil society organization, namely leadership (7%), strategic/systemic vision (6%), and relationship liaison (7%). Most executives (52%) stated that professional development programs are supported by senior management, but when they were asked if these programs were in line with the organization's strategic planning, only 44% responded affirmatively.

In general, it was noted that executives are concerned about the succession process, but the challenges of financial sustainability end up diverting their attention: 37% of executive directors signaled that their organizations would be at risk after their departure, as they would lack sufficient resources to continue their activities. The funds raised through the sale of products and services are still relatively low (less than 5% total revenue). It is part of the reality of these organizations to devote their proceeds to projects that serve beneficiaries, pushing into the background any investment in management processes and infrastructure. This fact is often due not to a lack of vision, but to requirements by the covenants and agreements with their partners, especially if they are government agencies or companies. In fact, when analyzing the responses of the executives interviewed about the origins of their resources, we found that 19% of organizations have partnerships with the government and private sector, 7% raised funds only with the private sector, and 6% only have agreements with the government.

Conclusions and Recommendations

The results obtained in the survey of the succession process with 124 Brazilian third sector organizations identifies the level of awareness about the succession

of executive directors and the difficulties encountered in its implementation. In general, the succession process is lacking structure, based on informal practice and requiring improvement.

The survey found that executives consider it to be of fundamental importance to promote the development of their collaborators as a way to enhance organizational development and accomplish the mission and objectives of their entity. However, the personnel development within these organizations has not been guided by insight obtained through formal assessment and aligned with the organization's strategic goals. The existence of a vice-executive who is not seen as a potential successor is indicative of a fragile professional development process. It is the organization's task to encourage the development of its professionals, flagging the identified needs, through dialogue and evaluation, in a process based on transparency; one in which managers should be responsible for reinforcing peoples' strengths while pointing out any gaps in their performance. We also emphasize the importance of clarity and harmony between the professionals' and the organization's expectations of development.

There is a common understanding that people should take an active role in their own development and that professionals should not only expect the organization to create development opportunities, but that they should also seek them out themselves, identifying their own needs, showing willingness and availability, and investing their own resources when necessary. In practice, however, this behavior is not very common, because the dominant cultural pattern leads people to take passive positions, "waiting for things to happen." Thus, organizations must not only provide space and conditions for personal expression, but also provide tools that identify organizational expectations. In this process, the performance evaluation is an important instrument, which must be prepared based on criteria and standards that reflect an understanding of the organization and the expected quality of services provided. Furthermore, it should be carried out in a structured, systematic manner, applied to all levels and involving many groups. If there are not moments of evaluation, feedback, and

reflection on professional development, it will be impossible to develop successors within the organization, as indicated in the survey.

The succession process in any organization entails a reflection on its future needs. It is very hard to predict exactly what these will be, while identifying who is ready to deal with increasing levels of complexity. To that end, metrics and information are used to indicate what a collaborator has achieved up to a point (performance). A reflection should also be made on the possibilities for future growth (potential).

In looking closely at an individual's performance, it appears that it can be divided into three dimensions that interact with each other and should be evaluated differently and complementarily. The first dimension is *development* (the ability to handle more complex situations), the second is *effort* (the energy and effort expended to increase the chance of achieving the specified results), and the third is *behavior* (the attitudes and behaviors expected in the work environment). A major risk in the succession process and in the choice of a successor is to only value a single dimension. Often organizations do not clearly define these three dimensions, and managers in TSOs end up emphasizing attitudes or effort. By doing so, the short-term focus is privileged to the detriment of the medium and long term.

The need to develop and implement mechanisms for succession planning, aligned with objectives and strategy, requires a careful respect for the cultural characteristics of TSOs, whose internal employees favor participation in the debate about strategic goals. It is necessary to break with the trend toward centralizing decisions, particularly with the founder. Often worried about short-term financial sustainability and the difficulty of "letting go" of the organization, they do not prioritize the discussion of long-term issues, such as succession, with the organization's board.

The results presented here indicate that the succession process will go beyond a plan of intentions if, and only if, the boards include this theme in the annual meetings, and TSOs recognize the importance of personnel management practices. Thus, succession will no longer be a sporadic event, but a continuous

process of training future successors. Third sector organizations should aim to be recognized for the formation of managers, not just excellent and committed technicians, otherwise they run the risk of disappearing or being eviscerated in the medium and long term.

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Succession in Italian Nonprofits: A Survey^{*}

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The article analyzes data from a national survey of 200 CEOs of Italian nonprofit organizations (NPOs) regarding nonprofit executive succession in Italy. The CEOs, selected from a population of social cooperatives, foundations, and pro-social associations, provided a wealth of data on the socio-demographic characteristics, roles and functions, and succession plans of Italian nonprofit executives. Almost 60% of the surveyed organizations did not have succession plans, but this varied greatly by the organizational form (i.e., social cooperatives, associations, and foundations). Cultural and historical reasons are given for these differences, and recommendations for future research are provided.

Key words: associations, cooperatives, leadership, nonprofit organizations, succession

Executive succession in nonprofit organizations has received some attention in recent years (e.g., Santora, Sarros, & Bauer, 2008). Major literature reviews (e.g., Giambatista, Rowe, & Riaz, 2005; Kesner & Sebor, 1996) have revealed inconsistent or mixed findings about how the succession process operates. Moreover, for the most part, executive succession in nonprofit human service organizations has focused on the findings of regional surveys (e.g., Cornelius, Moyers, & Bell, 2011; Froelich, McKee, & Rathge, 2011) and the use of the case method (Santora & Sarros, 1995, 2007; Santora, Sarros, & Esposito, 2013). Such research suggests that when it comes to executive succession issues, nonprofits have some major challenges. For example, most nonprofits do not plan for executive succession, have boards of directors who make executive succession a priority, or have an internal staff with the capacity or the desire to lead their organizations (Santora, Caro, & Sarros, 2007; Santora & Sarros, 2001). Many nonprofit organizations also have high executive turnover rates, which further complicates matters and can unfortunately lead to major disruptions in the delivery of human services to needy constituents (Santora, Clemens, & Sarros, 1997).

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Several international researchers have found that the succession process in nonprofit organizations is difficult (e.g., Comini & Fischer, 2009). Because of the peculiarities of third sector organizations (TSOs), these organizations often do not deal with the renewal of their leaders in a systematic way. Board chairs (presidents) and CEOs (executive directors) are often the founders of the organizations. The exodus of these individuals usually does not involve the appointment of an internal candidate or a “second in command,” but rather with the hiring of an outsider or external applicant.

This article analyzes, for the first time in Italy, data from a national research project about nonprofit executive succession. It provides data regarding the socio-demographic characteristics, the roles and functions, and the careers and succession plans of Italian nonprofit executives from a population of social cooperatives, foundations, and national nonprofit associations using a database from the Italian National Statistic Institute (ISTAT).

Is Nonprofit Succession an Issue?

The succession process is probably the most crucial and critical phase in the life-cycle of an organization. Most nonprofits faces particular management challenges distinct from those faced by government or the for-profit sector organizations. As Hailey and James (2004) state:

NGOs have a *social change mission* and specifically work with *vulnerable people* and marginalized groups who have often been ignored or overlooked by government services and the mainstream social services. NGOs are *intermediary organizations* bridging donors and beneficiaries and therefore have to constantly respond to *multiple constituencies* or clients [emphasis added]. (344)

Indeed many nonprofit leaders face extraordinary challenges as they work with very limited resources in uncertain and volatile political and economic circumstances to help the most marginalized and disadvantaged members of their communities. Drucker (in Maciariello, 2005) believes that:

One major challenge in institutions will be in leadership changes and we are not as prepared in the *social sector* for succession as we are in business. We are at the stage now that business was when we began executive development in business. The *present nonprofit executives* came into management about

the time of the Vietnam War, when they were in their thirties. And they are now moving out. And few nonprofit organizations have prepared their successors. A great many nonprofits have not yet developed *professional management* [emphasis added]. (question 3)

Tierney (2006) provides significant data on the projected departure of nonprofit executives and adds that “the quality of executive leadership is the single greatest factor in predicting the future success of an organization. It follows then that developing and recruiting top executive leadership is one of the greatest priorities for the nonprofit sector” (35). If Tierney is correct in his assumptions about the number of departing nonprofit executives, then several questions emerge about nonprofit succession. Primary among them are: Do nonprofits plan for succession?; who are these replacements: insiders or outsiders?; and what role do nonprofit boards play in executive succession? (see Santora, Sarros, & Bauer, 2008 for a complete list of questions). Furthermore, executive succession issues need further investigation in U.S. and non-U.S. nonprofit contexts. To answer some of the questions, Santora, Sarros, and Cooper (2009) devised a survey for a global research initiative project: The Global Survey of Executive Succession (GSES) in NPOs/NGOs.

Global Survey of Executive Succession (GSES) in Nonprofit Organizations/NGOs

The GSES in Nonprofit Organizations/NGOs (Santora et al., 2009) sought to investigate executive succession in nonprofits in selected countries to determine their similarities and differences in executive succession practices, and to discover ways in which nonprofits operate at the board-executive level on a range of related issues. The survey was conducted in nine countries: five in Europe (France, Germany, Italy, Portugal, and the United Kingdom); one in North America (the United States); one in Latin America (Brazil); and two in the Asia-Pacific area (Australia and Singapore). The overall purpose was to provide benchmark data on succession issues in NPOs/NGOs as they relate to key organizational and strategic imperatives.

The GSES questionnaire contained 12 sections of varying length (64 questions), ranging from personal and organizational demographics to leadership development. Data were to be collected through a questionnaire to be distributed to NPOs/NGOs in each participating country. In countries where English was not the primary language, the researchers participating in the study would translate the questionnaire into the language of that country (and follow rules for back-translation—see Brislin, 1970), identify the nonprofits to be included in the survey, and collect and analyze the returns. Unfortunately only researchers from Australia, Brazil, Italy, and the United States were able to participate in the project.

Method

The Italian survey is based on computer-assisted telephone interviewing (CATI). Personal interviews with 200 Italian nonprofit CEOs—representing 101 social cooperatives, 74 foundations, and 25 national associations—were conducted in the spring of 2010. The sample was selected from a population of social cooperatives and foundations using an ISTAT database, and from the 150 national associations included in the National Register of Italian Associations for Social Advancement (Associazioni di Promozione Sociale—APS) by the Ministry of Welfare (as of December 31, 2009). Since every CEO did not answer all questions, the sample size in each table reflects the total answers received for a particular question.

Results and Discussion

Organization Types

Table 1 compares the distribution of Type A social cooperatives (social enterprises working in the field of social, health, or educational services) in the five main geographical areas of Italy with that of the units of our sample. The sample had a slight underrepresentation of social cooperatives in the northwest (-0.4%) and the islands (-0.3%); an underrepresentation in the central area

(-5.7%), and an overrepresentation of social cooperatives operating in the northeast (+2.6%) and the south (+3.8%).

Table 1: Social Cooperatives of Type “A” (20+ paid staff)—ISTAT Year 2005

Geographic Area	Population (%)	Sample (%)
Northwest	40.0%	39.6%
Northeast	20.2%	22.8%
Central	23.5%	17.8%
South	7.1%	10.9%
Islands	9.2%	8.9%
TOTAL (Percentage/ Number)	100.0%/865	100.0%/101

Table 2 compares the distribution of the population of operating foundations in the five main geographical areas of Italy with that of the units of our sample. We found that the sample had a slight underrepresentation of foundations in the northwest (-0.6%) and the northeast (-1.5%), an underrepresentation in the central area (-8.6%), and an overrepresentation in the south (+6.1%) and the islands (+4.5%).

Table 2: Operating Foundations—ISTAT Year 2005

Geographic Area	Population	Sample
Northwest	46.5%	45.9%
Northeast	20.4%	18.9%
Central	19.4%	10.8%
South	10.1%	16.2%
Islands	3.6%	8.1%
TOTAL (Percentage/ Number)	100.0%/ 3,775	100.0%*/74 * rounded up

Table 3 on the next page presents the ages of the organizations. There was an equal distribution of the sample population among the four age classes.

Table 3: Organization Typology by Year of Constitution

Org. Type	1979 or Earlier	1980–1989	1990–1999	2000–2009	TOTAL
Social Cooperatives Type “A”	5.0%	31.0%	41.0%	23.0%	100
Foundations	33.8%	12.2%	21.6%	32.4%	74
Associations	58.3%	25.0%	12.5%	4.2%	24
TOTAL (Percentage/ Number)	22.2%/ 44	23.2%/ 46	30.3%/ 60	24.2%/ 48	198

Note. Mean = 25.83 years old; Median = 18.00 years old

The three organizational typologies offer some interesting findings. First, associations are oldest of the three; more than half (58.3%) of them were founded prior to 1980. Second, foundations are the youngest organizational form developed in Italy. Nearly one-third (32.4%) were founded between 2000 and 2009. Third, social cooperatives increased the most during the 1980s and the 1990s, respectively 31.0% and 41.0% (nearly three-fourths were founded from 1980 onward).

Table 4 presents the sizes of the organizations in the sample based on their number of employees, which includes both paid staff and volunteers. The first two categories “<20 employees” and “21 to 100 employees” each represent more than one-third of the sample, whereas the third category “101+ employees” includes one-fourth of the NPOs.

Table 4: Organization Typology by Number of Paid Staff and Volunteers

Org. Type	<20	21–100	101+	TOTAL
Social Cooperatives Type “A”	26.7%	50.5%	22.8%	101
Foundations	54.8%	23.3%	21.9%	73
Associations	20.8%	29.2%	50.0%	24
TOTAL (Percentage/ Number)	36.4%/ 72	37.9%/ 75	25.8%/ 51	198

Note. Mean = 211.97 employees; Median = 40.00 employees

Foundations are the smallest type of organization, with nearly 55% of foundations having fewer than 20 employees. Social cooperatives are medium-sized organizations with 50.5% of the sample social cooperatives having 21 to 100 employees, and associations are the largest type of organization, with an

even 50% of the sample associations having more than 100 employees. In general, the Italian nonprofits included in our survey are small- or medium-sized organizations with a median of 40 employees.

To further evaluate the size of these organizations, annual budgets are also considered. Table 5 shows that the sample as a whole is homogenously distributed among the four categories with the first (less than €500K) (27.7%) and third one (€1M–€3M) (28.5%) showing a slight predominance.

Table 5: Organization Typology by Annual Budget

Org. Type	<€500K	€501K–999K	€1M–3M	€3+M	TOTAL
Social Cooperatives Type “A”	26.4%	23.6%	34.7%	15.3%	72
Foundations	25.6%	20.5%	23.1%	30.8%	39
Associations	36.8%	10.5%	15.8%	36.8%	19
TOTAL (Percentage/ Number)	27.7%/ 36	20.8%/ 27	28.5%/ 37	23.1%/ 30	130

Note. Mean = €9.5M; Median = €1.2M

Foundations tend to have larger annual budgets (30.8% have budgets greater than €3 million). Social cooperatives are medium-sized organizations (more than a third, or 34.7%, have an annual budget from €1 to €3 million). Associations are more complex, as this group is split into small local associations with few employees and a limited budget (36.8% have budgets less than €500,000) and big national associations that have really large budgets (the same percentage, 36.8%, have budgets greater than €3 million). This variable also has a wide range, with a mean of €9.5 million and a median of €1.2 million. In summary, the three organization types have very clear and peculiar characteristics.

- The social cooperatives formed in the 1980s and the 1990s are medium sized with regard to both human resources and budgets.
- Foundations are youngest of the three groups, with many founded in the first decade of the 2000s. They have a small number of employees; yet they have the largest budgets.

- Associations are the oldest organization type. They employ the most people, and their budgets are split between very small and very large annual budgets.

Nonprofit Executives

In addition to the data about their organizations, the 200 Italian nonprofit CEOs included in our sample also provided demographic data of their own (e.g., age, gender, and educational levels) for this survey. Most of the CEOs fell into two age groups, “41–50 years” and “51–60 years,” each of which represents 28.5%. The mean age of 49.64 years is very close to the midpoint of these two groups.

Table 6: Organization Typology of Executives by Age

Org. Type	<40 years	41–50 years	51–60 years	>61 years	TOTAL
Social Cooperatives Type “A”	35.6%	35.6%	18.8%	9.9%	101
Foundations	13.5%	18.9%	41.9%	25.7%	74
Associations	12.0%	28.0%	28.0%	32.0%	25
TOTAL (Percentage/ Number)	24.5%/ 49	28.5%/ 57	28.5%/ 57	18.5%/ 37	200

Note. Mean = 49.64 years

Social cooperatives have younger CEOs, with more than a third (35.6%) younger than 40 and the same percentage being between 41 and 50 years of age. The majority of foundation CEOs (41.9%) is between the ages of 51 and 60 years. Finally, associations have the highest percentage of “graying” CEOs, with nearly one-third (32%) of CEOs being 61 years or older. These findings correlate with the ages of the organization types described earlier (see Table 3 above).

Male CEOs (56.5%) slightly outnumber female CEOs (43.5%) across organization types (see Table 7), though it is interesting to note that women outnumber men as CEOs by 7% in the sample social cooperatives. Some scholars believe that this is due to the intrinsically democratic structure of social cooperatives, which facilitates opportunities for women to reach the upper levels of the organization. Others believe that it is because social cooperatives

generally provide social, health, and education services, usually viewed by society as “women’s activities”; therefore, it is not surprising to find more women in executive positions in these organizations.

Table 7: Gender by Organization Type

Org. Type	Male	Female	Total
Social Cooperatives Type “A”	46.5%	53.5%	101
Foundations	63.5%	36.5%	74
Associations	76.0%	24.0%	25
TOTAL (Percentage/Number)	56.5%/113	43.5%/87	200

Table 8 presents the education levels of the surveyed CEOs. The majority of Italian nonprofit CEOs have a university degree (56%), and another 3.5% have post-graduate degrees. The percentage of foundation CEOs with university degrees (67.6%) is much higher than that of CEOs of social cooperatives and associations, both of which have nearly equal distribution between high school and university educations.

Table 8: Level of Executive Education by Organization Type

Org. Type	Primary/Secondary School	High School	University	Post-graduate	TOTAL
Social Cooperatives Type “A”	1.0%	46.5%	49.5%	3.0%	101
Foundations	4.1%	23.0%	67.6%	5.4%	74
Associations	0.0%	52.0%	48.0%	0.0%	25
TOTAL (Percentage/Number)	2.0%/4	38.5%/77	56.0%/112	3.5%/7	200

Table 9 shows that almost half of the nonprofit executives came to their current positions from the nonprofit sector (56.0%, including 9.5% of initial job positions). The nonprofit sector is relatively unattractive for public sector executives (15.0%) as relative few have made the transition to the nonprofit sector.

Table 9: Executive by Sector of Previous Employment

Previous Employment Sector	Frequency	%
First Job	19	9.5%
Public Sector	30	15.0%
Private Sector	58	29.0%
Nonprofit Sector	93	46.5%
TOTAL	200	100.0%

On the other hand, almost 30% of the nonprofit executives came from the private sector. This is, perhaps, one of the most surprising and important findings of our survey. The consensus of the academic community was that nonprofit Italian CEOs were insiders (from the different social movements or from the public sector, post-retirement). Further investigation of this finding is recommended.

Table 10 shows how many of the surveyed CEOs are the founders of their organizations. Only slightly more than one-third of the current CEOs are also founders of their organizations, a finding that suggests a high turnover among nonprofit CEOs in recent decades.

Table 10: Are You the Founder of This Organization?

	Frequency	%
Yes	71	35.5%
No	129	64.5%
TOTAL	200	100.0%

With regard to tenure, 119 of the surveyed CEOs have been in their current position for six or more years (59.8%), a relatively long tenure compared to the reduced tenure rates for other nonprofit CEOs, particularly in the United States (see Table 11 on the next page). The remaining 80 CEOs (40.2%) who responded to this question have only been in office from one to five years.

Table 11: How Long Have You Been the Executive Director of This Organization?

Years in Office	Frequency	%
1–2	39	19.6%
3–5	41	20.6%
6–10	56	28.1%
11–20	42	21.1%
20+	21	10.6%
TOTAL	199	100.0%

Nearly 60% of the surveyed CEOs of social cooperatives play dual roles as both board chair and executive director (see Table 12). This is interesting since the two roles are very different; the board chair, also called the president in Italy, plays a political/strategic role, while the executive director, or CEO, plays a more managerial or technical role. Overall, the CEOs for all NPOs surveyed are almost evenly split in being the board chair as well (49%: Yes, 51% No), a rather high percentage.

Table 12: Is the Executive Director Also the Chair/President of the Board?

Org. Type	Yes	No	Total Respondents
Social Cooperatives Type "A"	59.4%	40.6%	101
Foundations	39.2%	60.8%	74
Associations	36.0%	64.0%	25
TOTAL (Number/Percentage)	49.0%/98	51.0%/102	200

The survey data reveal that the majority of foundations and associations have clear role distinctions at the top, respectively 60.8% and 64.0%, for executive director and chair positions not being occupied by a single person. Social cooperatives, which are often smaller and more linked to the local community, have flatter structures at the top and do not show a sharp distinction between these positions.

The Succession Process

One critical question this article addresses is whether or not Italian nonprofits have succession plans (see Table 13). Some 60% of the 200 NPOs surveyed do not have succession plans. Social cooperatives seem the least interested in building an ad hoc internal procedural system to cope with executive succession (68% have no succession plan), followed by foundations (55% have no succession plan). Associations are the most likely to be prepared for change; nearly two-thirds (64.0%) have succession plans.

Table 13: Does Your Organization Have a Succession Plan?

	Yes	No	Total
Social Cooperatives Type "A"	31.7%	68.3%	101
Foundations	44.6%	55.4%	74
Associations	64.0%	36.0%	25
TOTAL (Number/ Percentage)	40.5%/ 81	59.5%/ 119	200

A possible explanation for these data is that social cooperatives are small enterprises with few employees in administrative positions (almost all employees provide frontline service delivery). The CEO is often an internal candidate who previously served in several organizational subunits within the organization, and there are very low turnover rates (see Table 16). In contrast, executives from foundations are usually highly educated external recruits from the business world who are selected through an interview process. These organizations have a higher rate of turnover than social cooperatives. Associations tend to have formal succession plans established by their bylaws. Of the 81 nonprofit organizations that reported having a succession plan, 72 of them (89%) state that their plan is a "formal one." (see Table 14).

Table 14: Is This Succession Plan Formal or Informal?

	Frequency	%
Formal	72	88.9%
Informal	9	11.1%
TOTAL	81	100.0%

More than two-thirds of these 81 organizations (69.1%) reported that the development of a succession plan was required by their organization's bylaws (see Table 15). Another 25.9% of the surveyed NPOs have developed their succession plans in case of pre-exit.

Table 15: Under What Circumstances Does the Organization Begin to Develop a Succession Process?

	Frequency	%
Pre-exit	21	25.9%
Exit: Expected departure of chief executive	3	3.7%
Exit: Unexpected departure of chief executive	1	1.2%
Term defined by bylaws	56	69.1%
TOTAL	81	100.0%

Of the surveyed CEOs, 45% believe that they will be replaced by themselves, or reelected (in the case of CEOs who are also board presidents). However, the organization's bylaws often dictate term limits, and presidents can usually only be reelected once in Italy. A similar percentage of the surveyed CEOs (44.5%) believes that they will be replaced by an internal candidate (see Table 16). A small percentage (10.5%) of the CEOs believes that they will be replaced by an external candidate.

Table 16: With Whom Do You Believe the Board Will Replace You?

	Frequency	%
Internal candidate	89	44.5%
External candidate	21	10.5%
Myself	90	45.0%
TOTAL	200	100.0%

What seems to be good news for insiders may not be a real succession strategy (see Table 17 below). Almost 90% of the respondents who believe their successor will be internal also reported that the successor has not been

identified. So while the CEOs believe it will be an insider, there is still uncertainty about who that person is in the majority of responding organizations.

Table 17: If You Believe That an Internal Candidate Will Replace You, Has That Person Been Identified?

	Frequency	%
Yes	10	11.2%
No	79	88.8%
TOTAL	89	100.0%

Insiders are the preferred successors in all three organization types, as extremely high percentages of previous executive directors were insiders. Table 18 shows an increasing trend toward insider succession.

Table 18: Have the Previous Three Executive Directors Been Insiders or Outsiders?

	Insiders	Outsiders	TOTAL Responses
Last Executive Director	81.0%	19.0%	111
Previous Executive Director No. 2	73.0%	27.0%	63
Previous Executive Director No. 3	68.3%	31.7%	41

Only about one-fourth (25.5%) of the surveyed CEOs came to their current position as an outsider (see Table 19). The majority came to their positions through a variety of internal routes, whether they were the founder (31.5%), were promoted from within the organization (13.5%), or were a board member (16.5%, among others.

Table 19: Which of the Following Best Describes How You Became an Executive in This Organization?

	Frequency	%
Founder	63	31.5%
Promotion	27	13.5%
External Recruiting	51	25.5%
Election	25	12.5%
Board Member	33	16.5%
Other	1	0.5%
TOTAL	200	100.0%

The Power Dimension

Executive Directors. Who holds the power in the surveyed NPOs? Table 20 shows significant differences in the responses of who the CEOs believed would select their successors. Nearly half of the executives (45.5%) believe that their boards will select their successors, while slightly more than a fourth (27.0%) believe they will be included with the board in the selection process.

Table 20: Who Will Select Your Successor?

	Frequency	%
Board Chair	8	4.0%
Board Chair and an Executive Committee	16	8.0%
Full Board	91	45.5%
Current Executive Director and the Board	54	27.0%
Not Sure	16	8.0%
Other	15	7.5%
TOTAL	200	100.0%

Nearly half of the surveyed executives (48.5%) believe the board, in some form, should select the CEO's successor, while 34.5% believe it should be a joint selection between the board and the executive director. This is an interesting revelation for several reasons; the most notable is that the CEO believes that the real power rests squarely in the hands of the board.

Table 21: Who Should Select Your Successor?

	Frequency	%
Board Chair	7	3.5%
Board Chair and an Executive Committee	35	17.5%
Full Board	55	27.5%
Current Executive Director and the Board	69	34.5%
Not Sure	18	9.0%
Other	16	8.0%
TOTAL	200	100.0%

Similar findings about the surveyed CEOs' belief in the power of the board can be seen in Tables 22 and 23 regarding the succession selection process and in overall organizational power.

Table 22: Who Do You Believe Has More Power in the Selection of a Successor?

	Frequency	%
Board	153	76.5%
Executive Director	28	14.0%
Other	19	9.5%
TOTAL	200	100.0%

Table 23: Who Do You Believe Has More Power in Your Organization?

	Frequency	%
Executive Director	37	18.5%
Board Chair	154	77.0%
Other	9	4.5%
TOTAL	200	100.0%

More than half of the surveyed CEOs (51.5%) believe that informing the board about succession planning is rarely or never part of their job (see Table 24). It is simply not required as part of their professional role within the organization.

Table 24: Does Your Role as Executive Director/CEO Include Informing the Board about Succession Planning?

	Frequency	%
Never	63	31.5%
Rarely	40	20.0%
Sometimes	33	16.5%
Frequently	38	19.0%
All the time	26	13.0%
TOTAL	200	100.0%

Deputy Directors. Deputy directors or seconds-in-command raise some important questions about succession. Only about a third (33%) of the surveyed nonprofits had a deputy director, indicating flatter organizational structures. Deputy directors or seconds-in-command are viewed as clear indicators of inside succession strategies.

Table 25: Does Your Organization Have a Deputy Director or a Second-In-Command?

	Frequency	%
Yes	66	33.0%
No	134	67.0%
TOTAL	200	100.0%

The data in Table 26 indicate that deputy directors are not the automatic successor choice upon the departure of the incumbent. Of the 66 NPOs that report having deputy directors, 30.4% believe it is an unlikely scenario; slightly more than a third believe this option is possible (37.9%) and the remaining 31.9% believe it is a very or extremely likely scenario.

Table 26: Will the Deputy Director Replace You When You Leave the Organization?

	Frequency	%
Not at all likely	10	15.2%
Very unlikely	10	15.2%
Somewhat likely	25	37.9%
Very likely	17	25.8%
Extremely likely	4	6.1%
TOTAL	66	100.2%*

*Note. Total percentage exceeds 100%

These findings also beg the question about whether a deputy director will remain at an organization if not selected as the successor. Almost two-thirds of the surveyed CEOs with a deputy director (65.1%) believe that the deputy director will remain in the organization even if not selected as the successor (see Table 27 on the next page). It appears that internal mobility of the Italian NPOs is limited as was noted in other studies (see Santora & Sarros, 2001). Moreover, it appears that deputy directors are more interested in job stability than in career advancement, especially in light of Italy's current economic condition and high unemployment levels.

Table 27: Will the Deputy Director Remain with the Organization If He/She Is Not Selected as Your Successor?

	Frequency	%
Not at all likely	5	7.6%
Very unlikely	4	6.1%
Somewhat likely	14	21.2%
Very likely	28	42.4%
Extremely likely	15	22.7%
TOTAL	66	100.0%

Organizational Change

The survey also asked executive directors if their boards requested them to change the strategic direction of their organizations when they assumed their CEO roles. As Table 28 shows, an overwhelming majority of the surveyed CEOs (90%) were not asked to do so.

Table 28: When You Became Executive Director of Your Organization, Did the Board of Trustees Request That You to Change the Strategic Direction of the Organization?

	Frequency	%
Yes	20	10.0%
No	180	90.0%
TOTAL	200	100.0%

Table 29 provides data on whether the newly appointed executive changed the direction of the organization, regardless of board mandate. As in the previous table, more than three-fourths of the surveyed CEOs (75.5%) responded they did not change their organization's direction. There seems to be a minimal degree of freedom (autonomy) to bring about change, but the majority of the CEOs clearly followed the status quo. Perhaps the reason that change has not occurred more often rests with the traditional view that insiders maintain the status quo (which is why they are often selected by boards), while outsiders are often hired to bring about change as part of a board mandate.

Table 29: Did You Change the Strategic Direction of the Organization Since Your Appointment as Executive Director?

	Frequency	%
Yes	49	24.5%
No	151	75.5%
TOTAL	200	100.0%

Conclusion and Recommendations

Data collected from the first national survey on executive succession in NPOs in Italy offer the scientific community and nonprofit leaders some important findings about the governance structure and policy issues of Italian nonprofits. Our findings in this article are another step in a long theoretical and empirical research path on third sector organizations in Italian welfare service organizations that a group of scholars in the University of Bologna's Department of Sociology has been forging for more than 30 years.

In particular, this article is the second chapter on the study of Italian nonprofit leadership (see Colozzi & Bassi, 2009) related to the succession plans of executive directors. While we have uncovered very interesting data, we believe there is more work to be done in Italy and in other countries. We recommend that nonprofit scholars in other countries conduct similar research and share their results to see the commonalities between and among countries and to determine the degree to which nonprofit executive succession is country-specific or more generalizable to nonprofit organizations around the world. Other scholars interested in this area of research may wish to explore this connection further.

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Are We Better Today Than We Were Yesterday? Changes in Leadership Practices of Nonprofit Governing Boards^{*}

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This article explores leadership changes in smaller size nonprofit organizations by governing boards as a result of a capacity building intervention. The expansion of the nonprofit sector and the economic challenges they face require nonprofit organizations to build their capacity. They need to be better governed and managed, increase their effectiveness, and create greater social impact. Capacity building is one way to make organizations effective and efficient, as well as to ensure their sustainability. The impact a capacity building program had on nonprofit leadership is analyzed with regard to the changes in the governing board's leadership practices and the importance of these changes for organizations' sustainability.

Key words: board of directors, capacity building, governance, leadership, nonprofit organization

In 2012, the nonprofit sector was comprised of 1.6 million organizations that received tax-exempt recognition from the Internal Revenue Service. When we include religious congregations and small nonprofits in our calculations, the nonprofit sector increases to 2.3 million organizations (Roeger, Blackwood, & Pettijohn, 2012). This means that across the United States, there is one nonprofit for every 175 people. The nonprofit sector has been growing in numbers, employees, wages, and assets. Its importance is underscored by its contribution to the economy of 5.5 percent of the GDP in 2010—a percentage that has been steadily increasing over the past 60 years (Roeger et al., 2012, 9).

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With this growth comes the need to understand how to lead and manage these organizations to better serve the growing needs of the community while also facing external and internal challenges. Nonprofit organizations do not exist to make a profit to enrich private owners. They operate to fulfill social missions and are limited in their engagement in activities that are related to their mission.

These unique characteristics of the sector impact the leadership and managerial structures of the organizations, as well how they address challenges. Any nonprofit is influenced by such stakeholders as donors, clients, board members, staff members, volunteers, government, and community members (Tschirhart & Bielefeld, 2012). Internally, they are subject to changes in workforce (volunteers and staff), governance, and management practices. Financial challenges such as reduced government funding, competition with other nonprofit and for-profit organizations, requirements from funders for more accountability, governmental scrutiny of their tax-exempt status, and changes in technology increase the pressure on these organizations.

Nonprofit leaders must address all these challenges with an eye toward fulfilling the organizations' missions and assuring their sustainability. Those charged with setting a nonprofit organization's course for the future is the board of directors (the board), the governing entity of a nonprofit. The board has six principal areas of responsibility (Wolf, 2012, 36).

1. Determine the organization's mission and set policies for its operations.
2. Engage in longer-range planning to establish its general course for the future.
3. Establish fiscal policy and boundaries.
4. Provide adequate resources for the activities of the organization.
5. Select, evaluate, and, if needed, terminate the appointment of the executive director.
6. Develop and maintain a communication link to the community, promoting the work of the organization.

Light (2011) combines these responsibilities into four major duties: "decide why, decide where to go tomorrow, delegate who does what, and determine what

happened” (169). These duties are fulfilled by executing the tasks outlined above and by working with the executive director who is called upon to “deliver what gets done today” (Light, 2011, 170). In other words, “the board focuses on the big picture and overall strategies for the organization and the executive director focuses on the day-to-day implementation of the strategies and general work routines” (Tschirhart & Bielefeld, 2012, 207). Carver (2006) asserts that “boards will truly be leaders—not by invading the territory best left to management [i.e., executive director] but by controlling the big picture, the long term, and the value laden” (6). For Carver, board leadership applies to all governing boards of all nonprofit organizations.

For nonprofit practitioners, leadership means the willingness and ability to lead and influence others. Leaders are change agents (Joyaux, 2013). Schmid (2006) takes the perspective that leadership means creating a vision and coping with challenges, opportunities, risks, and constraints of the organizational environment. A comprehensive review of strategic leadership in nonprofit organizations by Phipps and Burbach (2010) found that Ireland and Hitt (1999) proposed six components of effective strategic leadership:

- determining the organization's purpose or vision,
- exploiting and maintaining core competencies,
- developing human capital,
- sustaining an effective organizational culture,
- emphasizing ethical practices, and
- establishing balanced organizational controls.

Chait, Ryan, and Taylor (2005) identify three types of board governance: (a) fiduciary—conserving, optimizing, and deploying assets to achieve the organization’s mission; (b) strategic—focusing on the organization’s strengths, weaknesses, opportunities, and threats in the external environment; and (c) generative—focusing on goal setting and direction setting.

Considering the above definitions of leadership, this article analyzes boards’ leadership practices in setting their organizations’ strategic directions to ensure their viability and sustainability.

Capacity Building

Capacity building is defined as “actions that improve nonprofit effectiveness” in terms of organizational performance (Blumenthal, 2003, 5). With the decline in the economy, there is a need for wiser investments in the nonprofit sector. Funders, for example, are investing in the organizational capacity of nonprofits to enhance their program outcomes (Connolly, 2007), to increase overall organizational effectiveness, and, ultimately, to create greater social impact (Finch, 2009; Herman & Renz, 2008; Light, 2004; McKinsey & Co., 2010). Capacity building means improving services and programs’ quality and delivery, increasing financial stability, attracting resources for organizational growth, changing the organizational culture, and finally, improving managerial and leadership practices. In the case of the board, it is more effective if an organization’s performance improves as a result of the board’s actions (Blumenthal, 2003). Capacity building, in some cases, leads to the development of effective boards. This article presents and analyzes a successful case of capacity building.

Description of Capacity Building Program

In 2009, the Institute for the Study of Children, Families, and Communities (ISCFC) at Eastern Michigan University (EMU) received a two-year Nonprofit Capacity Building Program Grant. The grant was awarded by the Strengthening Communities Fund, administered by the Office of Community Service, Administration for Children and Families, U.S. Department of Health and Human Services (HHS). The program was completed in Fall 2011.

The purpose of the grant was to provide assistance to nonprofit organizations whose services contribute to economic recovery for individuals and families living in distressed communities. The EMU Nonprofit Capacity Building Program (NCBP) was designed to support 11 small to mid-sized organizations (with annual budgets of \$250,000 to \$750,000) in building their capacities to serve their communities more effectively. The ISCFC worked with the organizations to develop a customized capacity building plan in at least three of five capacity-

building areas defined by HHS: (a) leadership development, (b) organizational development, (c) program development, (d) collaboration and community engagement, and (e) program evaluation. However, as the program's evaluation report later revealed, all the organizations underwent changes that impacted all five areas of capacity building (Wiencek, 2011). In addition to a sub-award of approximately 10 percent of the nonprofit organization's annual budget, NCBP leaders (principal investigators, support personnel, and a faculty consultant) were prepared to assist each organization in implementing the plans through training, technical assistance, coaching and mentoring, and networking opportunities. The capacity building plan developed through the NCBP and implemented by the 11 organizations is the intervention analyzed in this article. Hence, capacity building plan, capacity building intervention, and intervention are used interchangeably throughout the article.

Method

The institute started by thoroughly assessing the organizations' capacity building needs within the five capacity building areas using the ISCFC's Capacity Building Assessment Tool (CBAT), which was developed for this purpose. The CBAT, a Web-based comprehensive self-assessment survey, was completed independently by all senior staff and at least two board members from each of the 11 participating organizations.

The CBAT survey, which was composed of over 100 questions, was divided into the five capacity building areas, and each of those areas was broken down into several subcategories. For example, the leadership area—which was covered by 34 of the questions—has two subcategories: board operations and structure and board leadership role. The respondents were asked to indicate how well their organization was functioning on several measures of each subcategory. A list of closed-ended responses for each measure was provided. Choices included reporting that the organization: was doing well; should be doing better; or was not doing this, but should be. The respondents also had options to

indicate that the measure did not apply to their organization or that they did not know the information.

The CBAT was used at the beginning of the grant process to establish the pre-intervention baseline. At the end of the capacity building program, the CBAT was completed again to identify the post-intervention capacity building status of these 11 organizations in the five capacity building areas. The difference between the pre-assessment and the post-assessment is the indication of perceived improvement in an organization's capacity building. The assessment pre-survey served two major purposes. First, it provided a basis for discussion about what the staff and board members indicated were the strengths and weaknesses of the organization as well as data for creating the capacity building plan or the intervention. Each capacity building plan was unique and tailored to that organization's needs. Second, it also provided a baseline measure against which a post-program assessment could be compared.

The post-program assessment was administered using the same CBAT with the same instructions and measures. All baseline surveys were completed prior to any program intervention and all post-program surveys were completed after all program activities were completed. There was a time lapse of 12 to 16 months between the surveys. Fifty-one of the respondents who completed the baseline CBAT also completed the post-program CBAT after the program ended. Only the responses from those 51 subjects were used for the assessment analysis.

Results and Discussion

We analyzed the differences between the pre- and post-intervention surveys at three levels to understand if, and to what extent, the capacity building program or intervention led to changes in board leadership practices:

- I. Aggregate level: Is there a difference, at the organizational level, in leadership practices?
- II. Sub-aggregate level: Is there a difference in the boards' goal- and direction-setting leadership practices?

- III. Sub-aggregate level: Is there a difference in the boards' strategic leadership practices?

Aggregate Level Analysis for the Leadership Capacity Building Area

One measure of the strength of organizational capacity captured by the CBAT was the frequency with which a respondent reported that indicators of a capacity-building area were being done well. To determine the extent to which there was improvement in each capacity building subcategory included in the tool, the total number of times a respondent indicated that a particular measure of each subcategory was being done well was compared between the pre- and post-intervention surveys. A positive difference, obtained by subtracting the baseline value from that of the post-intervention survey, indicates perceived improvement.

The statistical significance level of each subcategory comparison was tested using a paired-samples *t*-test. This test compares the mean differences between the two measures for each respondent and calculates the probability of obtaining that difference by chance. Table 1 (on the next page) presents the results of the *t*-test for the two leadership subcategories included in the measure.

The results demonstrate that the differences between the baseline and post-intervention assessments are statistically significant at $p < .05$ (there is less than a 5 percent chance of obtaining the observed values by chance). All observed mean differences are in the direction of improvement.

Since there is no control group, we cannot assume causality; i.e., that the program was totally responsible for the changes. However, the results do provide strong evidence that during the time the program was in place, there was significant perceived improvement in the leadership capacity area.

Table 1: Paired-Samples T-Test Comparison of Baseline and Post-Program Measures for Leadership Subcategories

Measure	Mean number of times respondent indicated that measures were being done well	SD	t	df	p
Board Operations and Structure (22 measures)					
Baseline	10.7	6.8	2.570	50	.013*
Post-program	13.0	6.6			
Board Leadership (12 measures)					
Baseline	5.5	3.5	2.663	50	.010*
Post-program	6.6	3.4			

Note: $n = 51$

* $p < .05$

Board and staff tend to view the organization through their own lenses based on the specific roles that they perform. To capture their distinct perspectives, therefore, it was important that members of both groups participate in the assessment process. Table 2 compares board and staff percentage increases in measures where respondents indicated need for improvement in the baseline survey. Consistent with the pattern that emerged in the analysis of the number of times participants reported that the organization was doing well, both groups reported improvement, but staff reported greater increases for all areas than board members did.

Table 2: Comparison of Board and Staff Perception of Leadership Subcategories

Subcategory	Board Member Responses Indicating Improvement (%)	Senior Staff Responses Indicating Improvement (%)	Total Responses Indicating Improvement (%)
Board Operations and Structure	46.10	58.50	50.50
Board Leadership	41.10	56.50	46.20

Note: $n = 51$

Within the 11 organizations, more staff members than board members perceived that improvement took place within the boards' operations and structure and within board leadership. This is an interesting finding given that the board members themselves created many of the improvements noticed by the staff.

Sub-Aggregate Level Analysis: Changes in Boards' Goal- and Direction-Setting Leadership Practices

Given that the purpose of this capacity building grant was to improve organizations' efficiency and effectiveness in implementing their mission, we analyzed those measures of capacity building leadership that fit within Chait et al.'s (2005) generative governance board type. Generative governance, also called adaptive leadership, focuses on goal-setting and direction-setting. Generative governance boards and CEOs collaborate to initiate and oversee generative work such as questioning assumptions, probing feasibility, and identifying, and addressing obstacles and opportunities (Chait et al., 2005).

We selected nine measures that comprise elements of generative governance from the 34 leadership measures used in the CBAT. We included in this analysis all the "we do this very well" answers provided by board and staff members ($n = 51$). We next compared changes between the pre- and post-intervention surveys to identify differences in means, or improvements. Then we performed a paired-samples *t*-test to assess the statistical significance of changes in the boards' practices that indicate generative thinking. In other words, we wanted to understand the impact of the capacity building grant on governance practices that could lead to more successful organizational performance. The positive difference, obtained by subtracting the baseline value from that of the post-survey, indicated perceived improvement in eight out of nine generative board practices, as shown in Table 3 on the next page.

Table 3: Generative Board Practices: Before and After Capacity Building Intervention

Board Practices	Before (%)	After (%)	Difference (%)
The board analyzes and discusses the organization's annual operating budget and modifies it if necessary before the new fiscal year starts.	52.90	58.80	5.90
The board engages in efficient discussions and reaches decisions in a timely manner.	56.90	70.60	13.70
Discussions about important decisions are informed and thoughtful with a balance of perspectives.	60.80	72.50	11.70
The board acts promptly to resolve important and controversial issues.	49.00	68.60	19.60
The board sets the organization's future priorities.	35.30	54.90	19.60
The board has explicit goals for itself, distinct from goals set for the organization as a whole.	15.70	27.50	11.80
The board sets annual performance goals for the ED and reviews his/her performance on an annual basis.	25.50	45.10	19.60
Board members evaluate the board's performance and implement strategies to improve its performance.	13.70	13.70	0.00
The organization has a succession plan in place for leadership positions.	2.00	7.80	5.80

The biggest impacts of the capacity building intervention are observed in: (1) setting the organization's future priorities, (2) acting promptly to resolve important and controversial issues, and (3) working with the executive director (ED) to review his/her performance. The first two are a very clear indication that these boards are generative boards focusing on goal and direction setting. As a result of the intervention, boards are now more likely to set goals for themselves that are different from the organizations' goals. These are the types of boards that Carver (2006) calls leaders, because they pay attention to the big picture, the long term, and are value laden.

The *Daring to Lead 2011* study of executive transitions indicates that nonprofits are not prepared for the impending changes in executive leadership transitions

that are expected to take place within five years. The 3,000 executive directors surveyed in the study found that in spite of many years of attention given the executive transitions, “executives and boards are still reluctant to talk proactively about succession and just 17% of organizations have a documented succession plan” (Cornelius, Moyers, & Bell, 2011, 3). In addition, “45% of executives did not have a performance evaluation last year” (4). The NCBP organizations seem to be addressing the challenges of executive transition raised in that study, as demonstrated by an over 19% improvement in the boards’ practice of setting and reviewing the annual performance goals for the executive director, and an almost 6% improvement in having a succession plan.

We also analyzed these improvements using a paired-samples *t*-test to assess the statistical significance level of each of the nine generative board practices. This compared the mean differences between the two measures for each respondent and calculates the probability of obtaining that difference by chance, the results of which are shown in Table 4 on the next page.

Table 4: Paired-Samples T-Test Comparison of Baseline and Post-Program for Improvements in Board Practices

Board Practice	<i>M</i>	<i>SD</i>	<i>t</i>	<i>df</i>	<i>p</i> (2-tailed)
The board analyzes and discusses the organization's annual operating budget and modifies it if necessary before the new fiscal year starts.	0.089	0.668	0.892	44	0.377
The board engages in efficient discussions and reaches decisions in a timely manner.	0.152	0.47	2.197	45	0.033*
Discussions about important decisions are informed and thoughtful with a balance of perspectives.	0.114	0.493	1.530	43	0.133
The board acts promptly to resolve matters.	0.279	0.591	3.098	42	0.003**
The board sets the organization's future priorities.	0.268	0.593	2.899	40	0.006**
The board has explicit goals for itself, distinct from goals set for the organization as a whole.	0.231	0.842	1.712	38	0.095***
The board sets annual performance goals for the ED and reviews his/her performance on an annual basis.	0.342	0.669	3.153	37	0.003**
Board members evaluate the board's performance and implement strategies to improve its performance.	0.184	0.801	1.419	37	0.164
The organization has a succession plan in place for leadership positions.	0.244	0.538	2.905	40	0.006**

Note: (*n* = 51)

* *p* < .05. ** *p* < .01. ****p* < .10

Although all board practices show improvement (the difference in mean between pre- and post-program surveys is positive), only five board practices were found to have statistically significant changes. While there was no control group, these results provide strong evidence that there was a significant

improvement in several areas of board leadership practices during the 12 to 16 months that the program was in place (Wienczek, 2011).

Sub-Aggregate Level Analysis: Changes in Boards' Strategic Leadership Practices

The board's main role is to focus on the big picture and overall strategies for the organization (Tschirhart & Bielefeld, 2012). Hence, we consider that it is important to understand if, from the boards' perspective as strategic leaders, they felt that improvement had been made in how they prepare their organizations for addressing challenges. The planning process establishes choices about how best to accomplish the organization's mission. Simply put, "if you don't know where you are doing, any road will do" (Smith, Bucklin, & Associates, 2000, 3). In analyzing how organizations create capacity building for advancement and what they do, Light (2004) also emphasized the importance of planning by saying that planning is one important part of building an organization's capacity to handle challenges.

To determine if there were any improvements in the planning process and the size of the impact, we selected three measures of planning. We performed a paired-samples *t*-test to calculate the probability of obtaining those differences between the pre- and post-intervention surveys by chance. Only the board members' answers were included in this analysis. Given the smaller size of that population (*N* varies between 24 and 28), the alpha level was adjusted to compensate for the size and used a cutoff of .10 or .15 rather than the traditional .05 level when analyzing the statistical significance (Pallant, 2005, 199).

Although the paired *t*-test provides useful information, it does not evaluate the magnitude of the intervention's effect. One way to measure the effect is to calculate the eta squared (one of the most commonly used effect size statistics). The eta squared has been calculated using the following formula (Pallant, 2005, 212):

$$\eta^2 = \frac{t^2}{t^2 + N - 1}$$

The guidelines used to interpret the eta squared values are .01 = small effect, .06 = moderate effect, and .14 = large effect (Pallant, 2005, 212). The results are presented in Table 5.

Table 5: Paired-Samples T-Test Comparison of Baseline and Post-Program for Improvements in Board Planning

	<i>M</i>	<i>SD</i>	<i>t</i>	<i>df</i>	<i>p</i> (2-tailed)	<i>N</i>	η^2
There is a written strategic plan approved by the board.	1.600	0.473	1.693	24	0.103*	25	0.11
There is a written work plan for implementing annual and long-range goals and objectives.	0.292	0.690	2.070	23	0.050**	24	0.16
The board determines modifications for goals and strategies (i.e., those goals or strategies that would significantly impact the organization's identity, broad strategies or available resources).	-0.143	0.932	-0.812	27	0.424	28	0.02

* $p < .15$. ** $p < .05$.

There are statistically significant improvements in two areas: presence of a written strategic plan and written annual work plans. When measuring the impact using the eta squared for those two areas, there is a moderate to large effect size. The role of the board in modifying goals and strategies, which had a negative mean, was not statistically significant and showed only a small effect size.

Conclusion

In *Daring to Lead 2011*, Cornelius et al. found that the executive leadership of nonprofit organizations are concerned that nonprofit organizations and nonprofit boards are not prepared for the executive transitions that are predicted to take place within the next five years. The analyses of the boards' overall leadership, goal and direction setting practices, and strategic leadership practices indicate that 11 NCBP boards have made significant improvements in fulfilling their board

roles responsibly. More than 50% of board and staff members noticed an overall improvement in board operations and structure, and more than 46% observed an improvement in general leadership. The data analyses indicate that as a result of the capacity building intervention, boards are now more likely to set goals for themselves that are different from their organizations' goals. They are involved in strategic thinking, strategic planning, and developing written annual work plans. After the capacity building intervention, these boards are better able to "decide why, decide where to go tomorrow, delegate who does what, and determine what happened" (Light, 2011).

Light (2004) wrote that "ultimately, successful capacity building involves an effective strategy for changes, which leads back to funding, measurement, outside contact, and planning" (175). The sub-aggregate analyses indicates that the individualized capacity building intervention designed for each of the 11 organizations led to several statistically significant changes in board leadership decision-making practices. This article demonstrates the impact of the two-year Capacity Building Program on smaller-sized organizations who needed capacity building assistance. It is proof that capacity building programs could have a deep impact on board leadership.

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Passing the Baton in a Context of Change*

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The analogy of “passing the baton” is often used in the discussion of leadership transition. This analogy illustrates the dilemma faced by many leaders as they implement succession processes and negotiate their transition out of the leadership position. Change is an inevitable phenomenon in the life of any organization and is inherent in an organization’s structure, operations, and relational dynamics. Leadership succession, a most critical event in an organization’s life cycle, happens in the context of a changing environment. However, leaders simultaneously strive to secure a level of sustainability and continuity to protect the success of a growing operation as they prepare for leadership transition. This article discusses succession in the context of change as founders and long-term executives place their leadership position in the hands of another.

Key words: leadership transition, organizational change, succession

The analogy of “passing the baton” is often used in the discussion of leadership transition. However, unlike in a relay race, the conditions—and the leaders themselves—are constantly changing. If they are not prepared for that, the experience of this change will be disconcerting at the least. This analogy illustrates the dilemma faced by many leaders, especially founders, as they implement succession processes and negotiate their transition out of the leadership position.

The transition of founder leadership is a critical event in the life of an organization, and this phenomenon is amplified in smaller organizations (Frick, 2011; Kesner & Sebor, 1994; Wasserman, 2003). Organizational founders determine a gap in services or a niche in a particular market and consequently create an organization that addresses that matter (Hervieux, Gedajlovic, & Turcotte, 2010; Hytti, Stenholm, & Peura, 2011; Nelson, 2008). In small micro and medium enterprises, nonprofit organizations, and family-owned enterprises, the founder remains close to the leadership and embeds his or her vision into the management of the new organization (Garg & Van Weele, 2012). Nevertheless, change is an inevitable phenomenon in the life of any organization. There are

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changes that are inherent to a growing organization's structure, operations, and relational dynamics. Markets change, improvements in technology and best practices are developed, and the demand or need that was present at the organization's start-up can often change dramatically (Marquardt, 1996; Vaill, 1996). The organization can experience changes in the utilization of technology, the skills and experience of the workforce, and changes in regulatory demands. In an interview regarding public health leadership, Treadwell and Sabol (in Nelson, 2008) stated: "The issue of growing health disparities refers not only to wellness but also to training in health professions programs. In that arena, I fear we are not keeping pace with a society that is dramatically changing" (1553).

Additionally, entrepreneurs and long-term executives experience personal changes such as adjustments to work-life priorities, aging, and changes in health. Overall, there are three major areas of change that founders or long-term executives encounter in the succession process as transition occurs: (a) the environment, (b) the organization, and (c) personal (see Figure 1).

Focal Points of Founder Succession

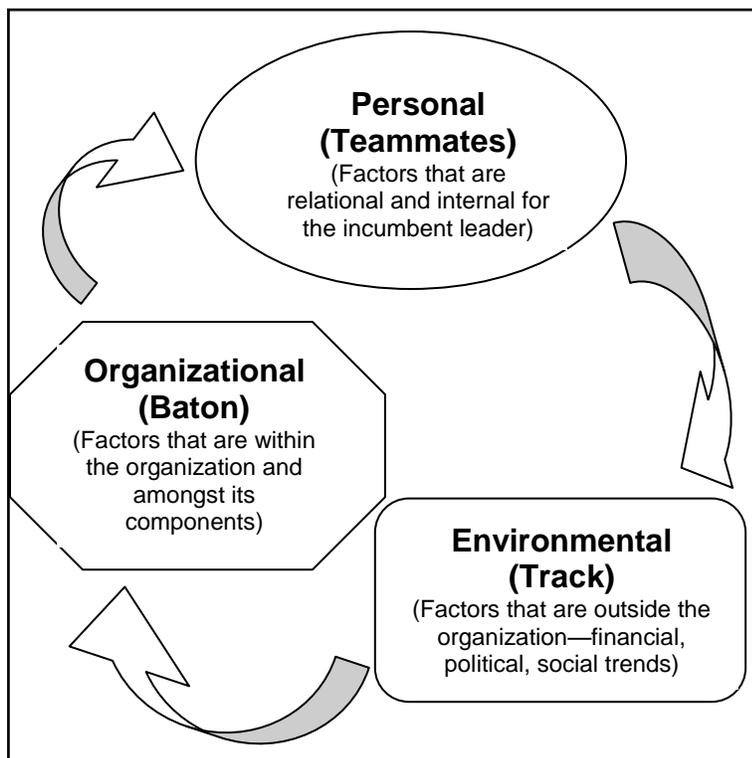


Figure 1. Focal points in the succession process of leaders

Environment (The Track)

As leaders approach the time of their transition (the handing off of the baton), the conditions of the atmosphere surrounding the organization influence the hand off. An organization with a transitioning founder or long-term executive can find itself in very different conditions than its initial venture phase. Although this would appear to be an obvious occurrence, founders are often unaware of these changes or the extent of these changes due to their attention to the operational functions of the organization and other distractions (Garg & Van Weele, 2012). In addition, the accuracy of a founder's scan of the environment could be biased and inaccurate. According to Puhakka (2011), the heuristic assessments of the market environment by entrepreneurs can be colored by factors that paint an imprecise reality. Political, social/cultural, economic, technological, and other environmental factors can shape thinking during this critical time in the life of the organization and the leader. In a study of leadership succession in human service organizations (Wright, 2012), some founders and long-term CEOs reported that they had delayed retirement due to the economic climate or to see a capital project to its completion. Other leaders were determined to retire because "things have changed," such as their health or the health of a loved one, regulatory mandates making the work more difficult, getting and feeling older, and just "having enough" (Wright, 2012). Biased perceptions or distractions affect one's ability to assess environmental changes, and the changes encountered in organizational life are in and of themselves difficult to predict.

Organizations operate in a perpetual environment of change, similar to a living organism (Marquardt & Engel, 1993; McFarlane, Schroeder, Enriquez, & Dew, 2011; Morgan, 1986). Organizations can be hindered in making adaptations due to inertial pressures from internal factors such as organizational politics and the external forces from their environments (Hannan & Freeman, 1977; 1984). These forces shape the form, intensity, and timing of any change an organization implements to remain viable in its present milieu. In other words, the external forces necessitate an adaptive approach that can be in conflict to or impeded by

any generative organizational strategy. Similarly, the construct of environmental determinism (Aldrich & Pfeffer, 1976) suggests that decisions made by organizations are governed, or at least influenced, by conditions produced by the environment. However, there are multidimensional forces at play in any organization's decision-making and strategy development (Bloodgood & Morrow, 2003; Whittington, 1988), which brings up the debate of what truly drives change within an organization—the environment or the organization itself. Therefore, the environment must be examined and traversed as the leader approaches the point of transfer. Notwithstanding, the leader must simultaneously be aware of the changes that have occurred within the organization.

Organization (The Baton)

A key to a successful relay race is being proficient in the transfer of the baton, which requires the receiver to always be facing forward and allows the passer to put the baton into the receiver's hand. Likewise, it is up to the leader to put the baton, or the organization, into his or her successor's hand as the successor looks to move forward.

Organizations are often viewed metaphorically as either mechanistic, organic, or some combination of both (Moore & Brown, 2006; Morgan, 1986; Sementelli & Abel, 2007). The organic view of organizations highlights the adaptive nature of organizations as well as their capacity to develop a life cycle with identifiable stages of growth (Hunter, 2012; Labeledz & Berry, 2011; Sharma & Salvato, 2011). Labeledz and Berry affirm that as an enterprise grows, it grows in stages, and the decisions made in early stages by a few will have a significant impact on the organization in later stages. This is especially valid in areas such as human resources in small enterprises. Founders need to create a culture and align the employees they select with the values and structure of the company (Bygrave & Zacharakis, 2011). While the organization passes through growth stages, systems and structures can become embedded and a certain culture may develop that could impede growth efforts, choking the entrepreneurial spirit of the founder.

The existing paradox is that growth and success can be problematic for an organization. As organizations negotiate stages, there is also adaptation of

structure, function, and leadership. Additionally, risks encountered by an enterprise vary from stage to stage (Katz & Green, 2009). As the organization is experiencing success and subsequent growth, revisions in management and leadership are necessary to deal with the organization's increased complexity. Hunter (2012) posits that as the enterprise develops it shifts from ad hoc activities to formalized procedures, and the focus of the founder shifts from opportunities to operations. Hunter continues that the start-up stage evolves into the growth stage, which engenders increased bureaucracy and rigidity. Peters (The Business Voice, 2009) concurs with Hunter's view and notes that "huge amounts of bureaucracy seeps into the 10-person company as it becomes a 50-person company. You have to organize, but you can't let it strangle you." The mechanisms established to support organizational growth can easily become the very instruments that hinder the growth of the enterprise. A delicate balance between framing and freedom is essential for healthy progress.

Alignment is difficult when founders have not appropriately adjusted to the environmental and organizational changes present at the time when their leadership is being transitioned. The typology of enterprises developed by Miles and Snow (1978) and expanded by DeSarbo, Di Benedetto, Song, & Sinha (2005) suggests that organizations function most optimally when closely aligned in strategy, process, and structure. The baton, or organization in this case, that is being passed on has undergone modifications and reforms since the race began. The outgoing leader or founder must accurately comprehend what's being transferred in order to assure a smooth transition.

Personal (You and Your Fellow Teammates)

Founders start enterprises with intentions of realizing their vision and accomplishing an established mission (Hunter, 2012; Hervieux et al., 2010; James, 2003). On the issue of start-up nonprofit organizations, James states:

It is well to remember that every organization has to be started by someone, and that many nonprofit organizations were started by individuals or by other "parent" organizations with strong ideological motivations. . . . To these founders, profits are not the objective. (3)

These internal/external motivators serve as starting blocks, providing a founder the ability to “push off” on in order to gain the momentum that can carry the organization through the tenuous start-up stage. Founders, like the runners who begin a relay race, are the only ones with the “starting blocks” and thus have the responsibility of conveying the vision and mission, ensuring their teammates have the momentum to continue the race. However, like the organization and the environment surrounding it, the founder also experiences change.

When the organization is in the start-up stage, the founder is usually intricately involved in every aspect of organizational operations. Stages in the life cycle require modifications in leadership (Hunter, 2012; Labeledz & Berry, 2011; Sharma & Salvato, 2011). Founders are also familiar with and frequently participate in the daily operations of a start-up organization. In a study of founders and long-term executives (Wright, 2012), executives reported that a majority of their time and efforts at the beginning of the organization’s life, and to some extent throughout the life of the organization, was spent managing crises or, as was often stated, “putting out fires.” Hence, a founder will have personally experienced the evolution of an organizational issue, the challenges that accompany that issue, and the efforts that lead to a solution. Conversely, as the organization progresses from start-up to growth stage, the founder moves from an entrepreneurial to a managerial role (Hunter, 2012; Labeledz & Berry, 2011; Wasserman, 2003). The role of the founder evolves as the enterprise develops. It becomes rare that a founder is able to continue to exclusively pursue risky, innovative opportunities in the mature stage of the organizational life cycle (see Santora & Sarros, 2008, as an exception). Also, the transition of the founder marks the first time that non-founder leadership is in place in the enterprise. That point often marks the shift from entrepreneurial leadership to professional leadership wherein the management becomes more formal.

At start-up, the organization is small enough for the founders to have some knowledge of each of the members of the organization and achieve an understanding of their personal strengths and challenges. Often, this familiarity leads to unique interpersonal relationships as the founder and these members

navigate the early stages of the organization. In many cases, these connections have had a positive impact on the growth of the organization. As the founder nurtures the organization, relationships with key stakeholders in the organizational environment are also developed. A founder may shift from cultivating relations within the organization in its early stages to concentrating on relations outside the organization as it matures. Logistically, internal relationships become more difficult as the organization grows, and strategic external relationships become increasingly important as the organization grows. Transferring the depth of these relationships is difficult at the time of succession. According to Fan, Wong, and Zhang (2012), specialized assets, such as reputation and social/political networks, that facilitate relationship contracting are highly personalized, belong to the predecessor, and lose value when transferred to successors. Thus, it may be implied that as the organization matures, the founder matures, as do the founder's relationships.

The resistance of founders at the time of succession has been well documented (Cascio, 2011; Dym, Egmont, & Watkins, 2011; Frick, 2011; Kets de Vries, 1988; Santora, Sarros, & Esposito, 2013; Sonnenfeld, 1988). The rationale is not always explicit, but according to Hytti et al. (2011), internal, emotional drivers are at play. This phenomenon can be seen in family-owned businesses, as misalignments between the interests of the founding family and those of non-family leaders may create problems in the strategic orientation of the organization and thus cause angst in the transfer of control to non-family leaders (Bocatto, Gispert, & Rialp, 2010; Lussier & Sonfield, 2012). Cennamo, Berrone, Cruz, and Gomez-Mejia (2012) identify five dimensions of socioemotional wealth that influence leaders of family enterprises: (1) desire to maintain control and influence over the family firm; (2) sense of dynasty that implies a long-term orientation; (3) identification with the firm and a concern for its reputation; (4) emotional attachment to the firm; and (5) binding social ties. According to Santora, Caro, and Sarros (2007), leadership transitions in nonprofit organizations are frequently unplanned and are not smooth. In small micro medium enterprises, Garg and Van Weele (2012) found a gap between

perceived and actual status of succession planning in leaders and a consequential preference for outside successors. As a result, these leaders do not trust there are competent internal candidates in the organization that are prepared to assume leadership roles. Bounded rationality is blended with bounded emotional factors as leaders make succession decisions (Hytti et al., 2011), which demonstrates that leaders often make organizational decisions for reasons other than what would be deemed the appropriate best practice within the current environment and stage of the organization's life cycle (Kim, 2012).

Additionally, the leader's work-life status influences decisions at the time of transition. According to Muna and Mansour (2009), the issue of work-life balance has tremendous human resource implications as it impacts recruitment to retirement on both the organization and the individual. Accordingly, work-life balance is an important factor in the discussion of leader succession. Studies (e.g., Muna & Mansour, 2009; Wasserman, 2003; Wright, 2012) have shown that the lines between the leader's organizational and personal life often become blurred. Jennings and McDougald (2007) developed three general points from their review of both work family interface (WFI) and entrepreneurship literature:

The first is that WFI considerations apply to both male and female entrepreneurs (although not necessarily to the same extent). The second is that WFI experiences and coping strategies can exert either detrimental or beneficial effects on business owners and their ventures. The third is that male and female entrepreneurs will differ in the degree to which they experience the detriments and benefits of WFI experiences and strategies, with consequent implications for the relative performance of their firms. (4)

The actual identification and branding of an organization is often linked to a charismatic or "revered" founder (Wasserman, 2003). The melding of identities becomes difficult to negotiate at significant times such as leadership transition, if work-life balance was not managed well earlier in the leader's tenure (Muna & Mansour, 2009; Warner & Hausdorf, 2009). With long-tenured founders and executives, the socio-relational norms become increasingly significant and influence their decision making as they age (Kooij, de Lange, Jansen, & Dijkers, 2008).

The very personal reevaluation of a leader's purpose, vision, values, and

talents generally occurs as succession is contemplated. When reflecting on their careers when approaching or after retirement, Muna and Mansour (2009) report executives regret not cultivating more time for valued priorities such as spending time with family and friends, taking trips and visiting places they have long desired to see, and learning a skill or taking a course.. As transition approaches, it appears that leaders begin to pay more attention to voices that were once blurred by busyness. Hence, these voices are amplified during transition decisions and can influence the choice to either pass the baton or hold on to it for a while longer.

Conclusion

The key to successfully running a relay race is the efficient exchange of the baton. This is also true in the successful transition of leadership. The passing of the baton from leader to leader is a very delicate and critical event in the life of an organization. This article has examined founder succession and leadership transition in the context of change, in which an organization is functioning in what Vaill (1996) calls “permanent white water,” or a perpetually turbulent environment. As the environment changes, the organization adapts, and the leader should also be making adjustments. These three aspects—environment, organization, and personal—explored as focal points of leadership succession are analogous to the triadic reciprocity of Bandura’s (1977) social learning theory.

Bandura describes *triadic reciprocity* as the interlocking determinism of behavior, internal personal factors, and the environment. Likewise, there is mutual influence between the three components of leader succession—environment, organization, and the leader. The economic constraints of the environment challenge the growth of the enterprise and may demand new strategies or operations, which in turn may cause the leader to avoid risk and hold the reins of the organization more firmly. Conversely, the organization may grow in capacity very quickly and outgrow the competencies of the leader, requiring him or her to solicit the help of a “professional” to assist in managing the organization. This may be hindered by environmental circumstances like the

competition for talent or a lack of a qualified workforce. Overall, each component is interconnected.

Important to this assumption is founder or leader agency. Founders are often motivated and driven by forces beyond bounded rationality (Hytti et al., 2011). Internal motivations such as a purpose or calling and other emotional incentives can transcend the needs of the organization and the environment. Consequently, at such times, the founder provides vision, inspiration, and motivation that break inside-the-box constraints with visionary solutions. That is the essence of leadership and one of the dynamics that makes leader succession so critical to an organization.

As leaders are succeeded and the baton is passed, awareness of the variations of each component by the outgoing leader is vital for a smooth transition at this most critical juncture of organizational life. If handled correctly, the exchange of the baton signals new opportunities and new beginnings as the successor embarks on the next stage in the life of the organization.

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