

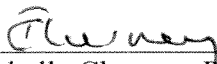
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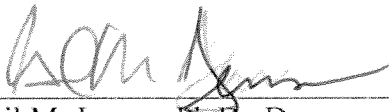
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LEADERSHIP TRANSITION BARRIERS IN SMALL NONPROFITS - AN
ANALYSIS OF BOARD ENGAGEMENT

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A DISSERTATION

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Abstract

Board chairs of nonprofits agree that hiring an executive director is one of the most important things that boards of directors can do. Accordingly one would expect that boards would be prepared for executive director leadership transitions, whether planned or unplanned, recognizing that their responsibility to the organization demands a prepared approach to the transition. Yet the opposite regularly occurs. Boards are rarely prepared for transition, spend little to no time exploring the issue at the board level, and then profess surprise and gratitude that when a transition does occur, the nonprofit organization is able to fill the position quickly without loss of momentum.

This research examined the barriers at the board level to leadership transition planning in nonprofits. Interviews conducted with board chairs suggested that a lack of training for board members on their roles and responsibilities, combined with a general reluctance to engage in what are perceived to be human resource planning issues, act to inhibit boards and board chairs from exploring leadership transition planning. Moreover, the selection of board members should focus not on just passion for the organization, but on the role of mission in furthering the long-term objectives of the nonprofit. When mission focus is heavily emphasized, board members better understand their contribution and are willing to engage in future leadership transition planning.

Boards of directors and board chairs would be well-served by scheduling a regular review of the nonprofit's leadership plan and requirements and using that discussion as a mechanism for examination of the leadership transition plan. Research participants suggested that very act of having the conversation demystifies the discussion and emphasizes the importance boards should place on leadership selection and future needs.

When boards engage in a regular review of leadership they are in fact promoting the long-term success of the organization that they serve.

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Chapter 1

Introduction

Boards of directors, either of for-profit or nonprofit organizations, are charged with the overall oversight of an organization. While significant distinctions exist between the role of the board given the size of the organization, complexity of operation, and scope of business, researchers agree that boards have one role that is more important than any other: hiring a new CEO or executive director (Allison, 2002; Biggs, 2004; Carman, Leland, & Wilson, 2010; Dierickx & Veneziano, 2008; Groysberg, Kelly & MacDonald, 2011; Heimovics, Herman & Coughlin, 1993; McFarlan, 1999; Miller-Millesen, 2003). When boards select a new director or president, they are selecting not only the day-to-day executive in charge of the organization, but the individual who presumably will guide the organization towards greater success and accomplishment. This process, the planning for and selection of the top executive, represents a key responsibility for any board of directors.

Research surrounding the operation of boards in the for-profit world is both comprehensive and extensive. Using such search terms as "board of directors" or "executive selection by boards" consistently yields published literature numbering in the hundreds of thousands when using such resources as Academic Search Premier. But a similar search, with the qualification "nonprofit" or "non-profit" added to the search criteria generates a much smaller result set, often numbering in the thousands, sometimes in the hundreds. To some degree this bias in academic research reflects a for-profit orientation towards measurable results, given that far too often nonprofit results have

been measured in good will and good intentions, not hard and fast numbers that can be linked to overall performance (Allison, 2002; Balser & Carmin, 2009).

Executive selection is critically important to any organization as evidenced by the importance that boards attach to selecting the leadership of an organization. To leave an organization without leadership, whether the transition is planned or unplanned, is tantamount to accepting stagnation or worse. In an era characterized by rapid change in market forces, can any organization, nonprofit or otherwise, be left leaderless while a board scans the environment, sets leadership direction, and then ultimately engages in a search for the new director?

Finally, it is important to distinguish between the resources available for board engagement between for-profit and nonprofit institutions. Boards of directors at for-profit institutions typically have far greater resources, including deep bench strength at the executive level, with which to examine the overall operation of the organization. The same cannot be said of nonprofits, in which generally speaking small organizational size and lack of C-Suite staff mean that board engagement is often times limited to interaction with the top executive (Allison, 2002).

Statement of the Research Problem

Hiring the executive director or president of a small nonprofit organization is one of the most important decisions that boards of directors can make (Allison, 2002; Biggs, 2004; Carman, Leland, & Wilson, 2010; Dierickx & Veneziano, 2008; Groysberg, Kelly & MacDonald, 2011; Heimovics, Herman & Coughlin, 1993; McFarlan, 1999; Miller-Millesen, 2003). The decision sets the tone for the entire organization. Why then do so many boards not have in place a defined process by which they will evaluate the current

director, understand both current and anticipated external factors, and ultimately have a plan by which a new director will be hired? Carman, Leland, and Wilson (2010) noted in a North Carolina survey of nonprofits that only 23% of all nonprofit boards had a succession plan and only 13% had identified a successor to the current executive director. When board members fail to exercise their duty, leaving organizations without a defined leadership structure, they are essentially ignoring the core responsibility of boards to protect the organizations that they serve (Miller, 2002).

While numerous studies have examined the overall professional behavior of nonprofit boards, particularly as they relate to the barriers to board performance, there is little research to explain why boards fail to act on leadership transition planning as a core aspect of board service. Leadership planning and hiring is a key board responsibility, yet there appear to be an endless number of barriers all of which are used, to one degree or another, to explain the failure of boards to act. Until these barriers are better understood there can be little in the way of meaningful advice to boards of directors, and executives themselves, to better approach leadership planning and selection as a true asset in the future success of the organization. Further, when boards fail to engage in this effort, the board itself diminishes its central role in the success of the organization. Boards that engage in leadership selection are reinforcing their role as stewards, not passive overseers of an organization (Biggs, 2004).

Purpose of Study

It is well understood that leadership transition plans exist only in the minority for most nonprofit organizations (Balsler & Carmin, 2009). It is not well understood why boards are so often reluctant to take on this responsibility. While researchers have

identified a number of barriers associated with nonprofit board behavior, including lack of training, poor self-assessment on the part of the board, and finally confusion as to the true leadership of a small organization, which typically rests with the director, not the board, it is not understood if any of these factors exert a stronger influence than others (Allison, 2002; Carmen, Leland & Wilson, 2010; Dierickx & Veneziano, 2008; McCambridge, 2004; Miller, 2002; Wright & Millesen, 2007). The purpose of this study was to better understand which barriers exerted a stronger influence on board inaction with respect to the executive selection process and in turn, suggest specific actions that boards and executive directors can take to mitigate the influence of these barriers.

Implementing the recommended actions will allow nonprofit board members, consulting organizations, and future researchers to increase board efficacy in leadership transition planning and in turn, improve organizational leadership performance. Leadership planning is as much about understanding the services that an organization provides, the competitive environment operated in, and finally, the strategic direction that the organization seeks to position itself in as it is selecting a new leader. Without leadership planning, all of these external factors become a matter of chance, subject to the individual hiring whims of boards of directors (Coverdill & Finlay; Kristo-Brown, 2000; Rynes & Gerhart, 1990). With leadership planning, these variables instead become useful indicators of the type of leadership desired, allowing boards of directors to more accurately define and hire a future executive.

Significance of the Study

Boards that fail to exercise their responsibility to plan for both the planned and unplanned departure of the executive director are putting at risk the entire organization

(Miller, 2002). By understanding the reasons why so many boards fail to accomplish even the basic rudiments of leadership transition planning, this research helps establish what techniques executive directors can take with their boards to encourage leadership planning and execution.

When leadership transitions are not well managed, and leadership planning is ignored, it not surprising as Allison (2002) noted, that nonprofit boards "underestimate the risks and costs of bad hires; are typically unprepared for the task; and fail too often to focus on the problems in hiring new CEO's" (p. 341). Understanding why boards so often fail to engage in leadership planning is critical to explaining what techniques boards and executive directors may take in planning for leadership transitions. With increased emphasis board performance will improve, resulting in better leadership outcomes for the organization (Bradshaw, 2002). More importantly, the very act of engaging in leadership planning is a powerful tool for promoting the role of the board in the success of the organization, creating a further incentive for board members to actively participate (Allison, 2002).

Delimitations

Nonprofits in the study will include business, environmental, and social welfare nonprofits in the State of Minnesota. Nonprofits will include both Internal Revenue Service 501c(3) and c(6) organizations. The distinction is likely to be unimportant, as both tax status indicators apply to nonprofits. While the surveyed nonprofits will be located in the Minneapolis-Saint Paul metropolitan area, there is little rationale to believe that the results cannot be applied to a nonprofit elsewhere in the United States.

Limitations

Limitations include the degree of responsiveness on the part of the survey recipients via electronic survey. Survey participants were not compensated for their time and the duration of the survey may have introduced some bias regarding those who choose to complete the survey versus those who did not. The size of the nonprofit may also have impacted the degree of planning associated with leadership transition activities. Larger nonprofits may be more capable and have more resources to support the board in such activities. The make-up of boards may also create a bias for or against leadership transition planning. Boards with significant numbers of business personnel, versus those without business experience, may be more accepting of and understand the importance of transition planning. Board chair experience clearly is also a limitation, as board chairs without experience in leadership transition planning, or having been exposed to it as a result of their board service, may find it difficult to initiate. Finally, an additional limitation was that the surveyed nonprofits were all located in the Minneapolis-Saint Paul metropolitan area. It is not known if the same results would have been established had the nonprofits been located in rural areas.

Definition of Key Terms

Board of directors. The board retained by the nonprofit institution to both govern and advise the executive director on the operation of the institution.

Board chair. The elected board member delegated to lead the Board of Directors.

Nonprofits. Organizations organized under Internal Revenue Service tax provisions 501(c)3 and c(6). Nonprofits may be focused on variety of causes or business activities. Typically nonprofits fall into either business, environmental, or social welfare

categories. Note: In Minnesota hospitals are required by State law to be organized as a nonprofit under 501(c)3. Hospitals were not included in the survey as the operation and management, given the size and scope of a hospital operation, more closely mimics that of a large for-profit entity.

Leadership transition planning. The overall process by which a board of directors determines the necessary skill set of its key executives, grows that talent internally and, if necessary, conducts an external search for the appropriate candidate. Leadership transition planning typically encompasses leadership planning and selection, which is the process by which boards examine the current director's capabilities, the external factors affecting the organization, and the ideal attributes for a new director for both planned and unplanned transitions.

Summary

Board planning for leadership transition functions not just as a planning tool for the future organization, but as an important element in the governance model that boards assume with the current director (Bradshaw, 2009; Allison, 2002). Boards that fail to engage in leadership succession planning are effectively deferring to the current leader on the future of the organization, eliminating a prime manner in which the board demonstrates its operational control. When boards are reluctant, or in many cases, simply unable to engage in succession planning, they are empowering the current director to view the board as both impotent and deferential to his or her authority (Allison, 2002; Bell, Moyers, & Wolfred, 2006; Miller, 2002; Wright & Millesen, 2007). Such situations may be common in the nonprofit board/director relationship dynamic, but do little to

assist the organization in planning for future transitions that will guide the organization when the current director no longer serves.

The literature examined in this research made clear that a number of barriers associated with nonprofit board performance all contributed to the lack of succession planning as incorporating leadership transition planning. From environmental scanning to board governance, from poor self-assessment to no core identity, boards routinely deferred action on planning for future leadership transitions (Allison, 2002).

Understanding that planning is as much a contribution to organizational success as it is a key board responsibility helps nonprofit boards of all types engage in this most important of governance activity.

Chapter 2

Literature Review

Boards of directors, of either for-profit or nonprofit organizations, are charged with the overall oversight of an organization. While significant distinctions exist between the role of the board given the size of the organization, complexity of operation, and scope of business, researchers agree that boards have one role that is more important than any other: hiring a new CEO or executive director (Allison, 2002; Biggs, 2004; Carman, Leland, & Wilson, 2010; Dierickx & Veneziano, 2008; Groysberg, Kelly & MacDonald, 2011; Heimovics, Herman & Coughlin, 1993; McFarlan, 1999; Miller-Millesen, 2003). When boards select a new director or president, boards are selecting not only the day to day executive in charge of the organization, but the individual who presumably will guide the organization towards greater success and accomplishment.

While few board members could claim ignorance of their responsibility to select a new leader for the organization, remarkably the overwhelming majority of nonprofit boards have not engaged in any material discussion as to leadership transition planning for an organization. Transition planning provides a framework for the board to explore the needs of the organization, the competitive landscape the organization exists within, the qualities that boards seek in the organization's leader, and the process by which the board will engage in the search. Allison (2002) suggested that while there is extensive research on the transition process in the private sector, little research "gave any guidance relevant to nonprofit organizations managing the process of executive transition" (p. 342). Balser and Carmin (2009) in a similar vein, commented that "research on founder and leadership transition in the nonprofit sector is limited" (p. 185). When leadership

transitions are not well understood is it any surprise, as Allison noted, that nonprofit boards "underestimate the risks and costs of bad hires; are typically unprepared for the task; and fail too often to focus on the problems in hiring new CEO's" (p. 341)?

This notion of the unprepared board is consistent across multiple lines of inquiry into the performance of nonprofit boards in selecting organizational leaders. Nonprofit boards are invariably unpaid volunteers, whose dedication to the organization (and fundraising) may have been their rationale for serving on the board, not as a result of any professional competence that they were thought to bring to the overall board perspective (Allison, 2002). When boards struggle to define the board identity, the ability to successfully engage in defining what leadership criteria should look like is diminished.

Board Agreement on Organizational Identity is Often Ambiguous

Any change in leadership brings with it both opportunity and concern as to the identity of an organization. Particularly for boards in the role in hiring a director, an agreed upon organizational identity is an important variable in transition planning that is often ignored or unavailable. As simple as it may sound, boards at the nonprofit level often fail to establish a role and thus, in turn, have little identity as a group to fall back upon (Ofcharsky, 2011). When board members fail to establish a shared and agreed upon identity as an organization, the disagreement can highlight differences between board members as to what the organization represents to its stakeholders (Balser & Carmin, 2009). Values that define an organization can differ between board members, creating a disincentive to discuss changes in leadership as such discussions simply create conflict between board members.

When board members fail to agree on their organizational identity, they risk the very survival of the organization (Bradshaw, 2002; Van Clieaf, 1992). If board members cannot agree on a shared organizational identity, the resulting disconnect severely impacts the board's ability to reach consensus as to what qualities a new leader needs to bring to the organization. Paradoxically, board members who regularly question identity, and who call into question the deeply-held realities of the organization, who it serves, and how it operates, are actually helping the organization become "more creative, adaptive, reflexive, and resilient" (Bradshaw, 2002, p. 480). Hamori (2006, 2010) and Wright and Millesen (2007) noted that when organizations created operational excellence, associated with a strong affiliation or identity, they actually become more effective at recruiting new leaders simply due to their success. Recognition that boards directly influence the organization's future hires through the creation of a strong organizational identity only furthers the importance of this activity at the board level.

Identity fragmentation, particularly for nonprofits, is not surprising. While the organization itself may have a strong organizational culture, the reality is that board service in small nonprofits is largely a product of self-selection on the part of board members. Their passion for the organization and a desire to further what they believe the identity to be suggests to them that service on the board is a way of furthering their personal objectives (Herman & Van Til, 1989). Indeed, Herman & Van Til suggested, with reference to the reasons why an individual joins a board, "that social and personal development incentives are much more common and effective than ideological or altruistic incentives" (p. 3). It takes a very strong board to build consensus on value statements that impact leadership. While the profit motive provides an easily understood

proxy for value in the private sector, service in the nonprofit world is limited to benchmarks that the organization itself creates against direct peer nonprofits, limiting their applicability across a board whose composition is regularly changing (McFarlan, 1999). The leadership mandate boards create for a new leader will likely be the product of multiple opinions from serving board members, increasing the chance that leadership transition planning will not be consistent (Pavur, 2010).

Finally, a strong organizational identity at the board level provides strategic guidance in terms of the transition planning process. Boards that agree on the organization's identity as a group and are comfortable with their mission have the ability to create succession plans that envision unlocking need and potential (Dierickx & Veneziano, 2008; McCambridge, 2004). Strong identity breeds strong opinions, a helpful byproduct when leadership changes invariably create the change and conflict that we so routinely seek to avoid. Conflict that can be challenging for a board further reinforces the importance of a shared organizational identity to rely on when challenges arise.

Board Governance

Equally important to the leadership selection process is understanding the dynamics of board governance. While nonprofit board members intuitively understand that an executive director or president reports to the board, the reality is that the governance structure in nonprofit boards is widely variable and often times illustrates the challenges of small organizations with limited resources. Understanding the nature of governance, and how boards can establish good governance techniques, is key to developing strong succession models that ensure organizational success. Boards, particularly nonprofit boards focused on social activism, have a leadership role in

democracy that requires a strong commitment to the mission and to the organization's leadership (McCambridge, 2004). Without that commitment, the organization is subservient to the environment around it and pigeonholed as to its contribution versus defining its own playing field.

Board members, while part of a team, bring to leadership selection planning and leadership development their own personal capabilities and beliefs. Miller (2002) noted that "nonprofit board members tend to monitor in ways that reflect their professional or personal competencies rather than paying attention to measures that would indicate progress towards mission-related goals and initiatives" (p. 429). When board members do not function as a team, but rather as individuals, governance with respect to senior leadership is essentially compromised.

Equally important, board members who understand their legal and moral commitment to the organization must in turn accept the governance responsibility to leadership selection and transition planning (Allison, 2002). As was noted earlier, the selection of a senior leader should be the defining moment in any individual's board service. Yet, far too often board members see leadership transitions as a burden, not as an opportunity to advance the mission. This speaks to the importance of governance, as a strong structure emphasizing responsibility would mitigate the tendency to see transition as a task to be avoided, rather than embraced.

This challenge is exacerbated in that board members who may see themselves as governors in hiring the director, reviewing budgets, etc., may also see themselves as working at the direction of the director when it comes to fundraising, a necessary evil in so many nonprofit organizations. This dichotomy manifests itself in a board unsure of the

governance, being partially in charge, yet in other part, being led. More often than not, board members in nonprofit service define themselves as being supportive of the organization, not leading it (Allison, 2002; Brown & Guo, 2010; Wright & Millesen, 2007). When board members are not sure where their responsibility lies, the organizational framework becomes challenging as the mantra of "who is in charge?" becomes an open question (Bradshaw, 2009; Bell, Moyers & Wolfred, 2006).

Could any board not understand that hiring and supervising the chief executive of the nonprofit was central to the board's role? Yet only 21% of respondents to a nonprofit survey (Brown & Guo, 2010), asking the respondent to identify the most important role for board members, identified their relationship to the chief executive as central to board governance and responsibility. The overwhelming majority saw their role as fund development, followed by strategy and planning (Brown & Guo, 2010). This continued disconnect speaks to the nature of board service in a nonprofit, in which identity, governance, and ultimately responsibility are often times confused with personal passion for the organization.

Exploring Theories of Governance

There are multiple theories of nonprofit board director interaction. While no particular theory is applicable across the wide spectrum of nonprofits, there are several theories that have direct impact on the board director relationship and how boards can and should exert authority in the leadership selection process.

Agency theory, in which board members exert oversight on behalf of shareholders, is a commonly-used governance theory to explain board/director relationships in for-profit entities. In the for-profit world, boards of directors act as a

check against the self-interest of the director or president, ensuring that the interests of stakeholders (in for-profit entities typically the shareholders) are maintained. When agency theory is applied to nonprofit management, the central theme is that an independent board of directors is able to hire, fire, and otherwise modify the employment terms of the executive director to ensure service to stakeholders. While typically the motivation of a nonprofit director is not self-enrichment, a loss of focus on the part of the director does have a direct impact on stakeholders. Nonprofit boards act to ensure that stakeholders remain the focus of the organization. This creates an important separation of duties, as boards retain oversight of the director's actions or inactions.

However, while this central tenant remains intact, the governance impact of protecting the investment return of shareholders is, of course, not present. Nonprofits rarely measure success in terms of financial variables, but more commonly on their social or advocacy impact to stakeholders. This difference creates, in part, an information disconnect between boards and the director in which the organization becomes not only the originator, but the holder of important data relating to the service aspects of the mission. Board members are recipients of this information and are thus entirely dependent on the organization to supply them unbiased information as to the organization's efficacy (Allison, 2002; Miller, 2002). This dynamic creates an important power variable in which the absence of a defined measurement standard, for example the price of a share of stock, creates a transition in power in which the organization effectively defines its own impact. Board members, instead of using agency theory to protect shareholder investments from the misdeeds of the CEO, are now left to supervise a director who is defining his or her own success (Miller-Millesen, 2003). The only

recourse is to create information systems that allow greater board review of the data, something that most boards are reluctant to do simply because it creates a perception of mistrust with leadership and senior staff. Instead of managing outcomes, boards become complicit in the day-to-day operations of the nonprofit without having the benefit of actually participating in the business.

For agency theory to be effective in a nonprofit situation, boards must establish metrics used to allow the board to challenge the organization. Understanding the director's opportunity for self-interested behavior, the board must be willing to ask probing questions as to the nature of the data collected, the results of engagements with stakeholders, and most importantly, the leadership capabilities and capacity of the director. Without direct engagement, boards become the fund raising volunteers that so many board members already perceive as their principal duty. Deference to the director generates a lack of engagement on the part of the board and thus a reduction in any incentive to create leadership selection plans for either planned or unplanned departures (Miller, 2002).

For agency theory to work, board members must collectively agree to their roles and responsibilities. As with identity, these are building blocks on which board competency is built. Miller (2002) suggested that "only when boards go through the process of determining ownership can they truly monitor administrative action" (p. 447). When these building blocks are omitted, we should not be surprised that board functionality is reduced and that leadership planning, as a key element in board ownership, is omitted.

Nonprofit boards, absent shareholder return as a key benchmark and motivator, are regularly asked to reflect on governance as a core responsibility (Bradshaw, 2009). However, most boards lack specific guidance on governance, leaving the board to develop its own model of board/director interaction (Bradshaw, 2009). Development of these disparate models allows for the formulation of governance practices that reflect the rich variety of operational roles and stakeholder engagement that nonprofits exhibit. This approach, creating board/director interaction models unique to a given organization, is known as contingency theory. While attractive and undoubtedly much in use, the challenge of contingency theory in leadership transition planning is that it depends heavily on the competency of the board. As has already been noted, nonprofit boards tend to govern based on their professional and personal competencies. Boards lacking experience in leadership planning are likely to avoid planning for future leadership. This omission, as a function of board inexperience, manifests itself in a governance model developed via contingency theory that will be absent specific governance of the board/director relationship.

It is an inescapable conclusion that contingency theory approaches are widely used. It does, however, offer little to explain the lack of engagement on the part of boards for leadership planning. Bradshaw (2009) identified several different variables associated with board governance as manifested via contingency theory, but none of those explicitly addressed the importance of leadership transition, only leadership supervision. This is critically important, of course, but it avoids explaining the reluctance of organizational boards to engage in leadership planning other than attributing an absence of experience on the part of board members to the omission of this critical step.

It is clear that the dynamic of the board/director relationship is key to effective governance. However, the nature of that relationship over the director's leadership lifecycle can and should change. Shen (2003) noted that boards would be wise to review and if needed alter the board/director interaction relationship over time. All leaders go through a natural transition from newly hired to experienced to near retirement. The same governance model needed on day one of employment is likely to prove burdensome and excessively close for the director who has proven him or herself over years of service. Yet as boards transition with new board members regularly joining as others retire from the board, the established relationship often sets the standard or tone for how a board interacts with a director, regardless of where that director may be in the leadership lifecycle. Shen (2003) suggested that boards create a governance model with established points in time reflecting the leadership experience of the director while incorporating the constant change of members on the board itself. This sound, practical advice seems logical. But as can be seen in board experience and capabilities, the nuances of this approach are likely beyond the capabilities of most nonprofit boards.

Board Self-Assessment

While governance is key to the board/director relationship, boards must have the internal self-assessment skills (and team work) to understand the need for such an activity. However, as has already been noted, the composition of a nonprofit board is more likely to be individuals with a strong interest in the organization's mission than those who bring a particular competency to the table. Professional competencies are valuable, but board members need the discipline to know what they don't know (Bradshaw, 2002; Jackson & Holland, 1998). By understanding their own limitations,

board members, in turn, can better test the governance structure they wish to maintain with the director (Biggs, 2004; Herman & Renz, 1998). Structures unsupported by board competencies are unlikely to succeed without board training. Governance becomes not a set process, but a storyline that the board is continually verifying against their knowledge of the organization and the environment in which the organization is operating. With this knowledge, leadership selection planning becomes not a one-time activity, but an ongoing process that adds value to the current leadership and plans for the future leadership with strong board support. Conflict may result as a director may believe that the board is reframing the governance on a regular basis, but this reframing is simply the manifestation of boards that continually reexamine knowledge of the organization (and adds new board members with new leadership experience) and the leadership skill sets that are desired to be in place.

It is well-understood that self-assessment is challenging, whether at the individual or board level. Social constructionists postulate that each person sees things differently and "what they see is determined by a social process" (Herman & Renz, 1998, p. 26). These social processes can be very different for any given nonprofit organization and thus corresponding boards of directors. Lacking the clarity of a financial profit measurement, as with a for-profit entity, individual board members are likely to construct their own valuations as to success and thus each assess the health of the organization, and their own capacity to assist in overseeing the organization, in very different ways (Herman & Renz, 2004).

Self-assessment is critically important, but available research suggests that few boards take this critical role seriously. Executive directors of nonprofit organizations

reported that 13% of their boards indicated their understanding of the organization was weak, 42% simply modest, and only 37% indicated their boards truly understood the organization and their role in it (Bell, Moyers & Wolfred, 2006). This meant that 55% of all serving board members had a weak to modest understanding of how to be effective, a percentage that no organization would tolerate in its employee ranks. This lack of self-assessment is in part related to the challenges of many board members operating in the for profit world in their professional life, and then serving in the nonprofit world for their board service (McFarlan, 1999). Establishing how to measure and evaluate success in the nonprofit world can be particularly challenging, more so when "losing money" can actually be part of the nonprofit's mission (Herman & Renz, 2004). Few business people are comfortable with this approach, and the disconnect from the nonprofit might well be evidence of their discomfort in not being able to evaluate the nonprofit from a financial perspective.

When boards have a poor or inadequate understanding of board service expectations, self-assessment becomes even more challenging. Jackson and Holland (1998) noted that when feedback on performance is reported to boards, it is "filtered through the cultural norms that suggest that board members are unpaid volunteers doing a complex job under difficult circumstances and thus should not be criticized" (p. 162). Directors of nonprofits are unlikely to facilitate negative self-assessment, as such reviews only make it harder to ask individuals to serve on boards or provide meaningful feedback to the director or staff. However, while self-assessment can be challenging, boards that engage in regular internal reviews not only improve board performance, there is also a

meaningful impact on the positive performance of the organizations for which they serve (Jackson & Holland, 1998).

Leadership planning then becomes a near impossibility, as the different measurements (created by different self-assessments) create numerous perspectives on what a leader can and should bring to the table. No wonder then that search firms, when approached by nonprofits for assistance in finding a key executive, invariably find that the organization needs to first define exactly what they are looking for as a group, not as individuals (Berkshire, 2008). Pavur (2010) suggested the same, indicating that organizations who work to define critical leadership skills as a group activity will "improve the quality of every phase of recruitment, selection, and orientation" (p. 121).

Board Training

If self-assessment contributes to stronger boards, and in turn, a stronger willingness to contemplate leadership requirements, are there techniques that will improve board performance? Training in board skills, and in working as a team, becomes a necessary prerequisite to improving board performance (Carmen, Leland & Wilson, 2010; Wright & Millesen, 2007). More importantly, best practices associated with board performance seem not to be linked to specific organizational improvement. Instead, each board must find ways to leverage expertise in finding best practices "consistent with its values, mission, and stakeholders' expectations" (Herman & Renz, 2004, p. 702).

While this is a valuable observation, it only reinforces the challenge that volunteer boards have in looking inward at the board's strengths and weaknesses. Faced with tight budgets and in many cases a mission that values a particular social construct (homelessness, food shelves, etc.) many board members will be challenged to divert what

they see as program funds for their own operational development. Yet in the absence of that training, board performance will remain challenged, resulting in a greater disconnect between the director and boards on issues of operational engagement. When members are added to the board specifically to help manage uncertainty, little skill development will simply deepen the divide in oversight between board members able to process and respond to a given situation and those whose lack of training constrains their ability to formulate a constructive response (Goldman & Kahnweiler, 2000). In turn, the resulting lack of communication that results from this uncertainty simply reinforces the desire by the board to avoid actions that result in confrontation, leadership planning among them.

Poor Environmental Scanning

If board training can be said to be linked to board effectiveness, one measure associated with improved effectiveness is an increased ability by boards to scan, process, and understand the environmental constraints (of all types) that the organization faces on a daily basis (Allison, 2002, p.347). Historically boards have had little appreciation for the need to understand not just the current environment, but the future needs of the organization as the board may affect the type of leadership that the organization will need. Coverdill and Finlay (1998) quoting Chatman, noted that boards of all types have typically hired senior leaders on the basis of "personal chemistry, values, and personality traits" (p. 106). Rather than hiring for specific needs, board members simply hire based on what they know, or said a different way, on their historical experience rather than on future needs. In such situations, board executive searches are subject to the idiosyncratic skills and experiences of the board members conducting the search; whose backgrounds are rarely shared across all board members (Coverdill & Finlay; Kristo-Brown, 2000;

Rynes & Gerhart, 1990). If the norms and existing culture of boards set the criteria for hiring, then leaders are being hired on the basis of a current state, not what the organization may need in the future.

When boards are hiring executive directors, Roberson and Collins (2005) explained that the more detailed the information that can be shared with the applicant on the challenges at hand, that is, the environmental scan of the situation and what the board desires, the more positive the perception of the organization becomes from the applicant's perspective (p. 321). This is an important variable, as without the added value of a complete environmental scan by the board, both current and desired state, the board risks engaging with applicants whose opinion of the organization is shaped by incomplete information. The resulting mismatch can create tension between the board and the new leader, contributing to increased job dissatisfaction and even accelerated turnover (Pavur, 2010; Thorsteinson, Palmer, Wulff & Anderson, 2004).

Environmental scanning also plays an important role in leadership planning in general, assisting boards in planning, as Carmen, Leland and Wilson (2010) noted, "the seemingly different issues of recruitment, retention, and planning for the future in more holistic ways" (p. 105). Boards that are unprepared for leadership transition planning are typically unprepared for environmental scanning as well, not understanding that the two are very much linked (Allison, 2002). What boards believe a future organization should look like, the competitive pressures it may face, and the organizational attributes it should exhibit, are very much linked to a complete understanding of the current environment in which an organization operates. When boards have only a superficial understanding of

the current state, boards are poorly prepared to suggest what a future state will look like (Allison, 2002).

Finally, environmental scanning allows a board to exert influence on the organization. Rather than depending on the staff's assessment of the current environment, a board-led environmental scan provides boards with the opportunity to leverage professional and personal skills, diving into areas the board believes are important that move beyond the interest of the current organizational leadership (Van Clieaf, 1992). For example, an emphasis on collaboration and understanding the competitive marketplace in terms of potential partners, might very well be a future direction for the organization but completely outside the professional interest of the present director. If collaboration is ranked high as a future skill set, then boards have done an excellent job in defining an environmental variable that only a future, transition driven director, will be able to satisfy (Goldman & Kahnweiler, 2000).

Program, not Development, Focus

When boards are reluctant to take on leadership planning or environmental scanning, one contributing factor can be the relatively small budgets of so many nonprofits and the focus, as Johnson (2009) noted, that for many nonprofits there is a fundamental belief that budgets should address program requirements, not staff or board needs (p. 285). Board members, particularly at social nonprofits, self-select as interested in board service precisely because the mission of the organization matters so much to them. Historically this emphasis on commitment, not on performance, has meant that nonprofits have tended to value what the organization does more than the skill set (and ability) of the leader (Allison, 2002, p. 347). Indeed, Tierney (2006) suggested that while

for-profit CEOs spent more than one-half of their time on people-related issues, nonprofit CEOs spent the bulk of their time on fundraising issues (p. 31). This emphasis on what the organization does, not how it functions, creates a distinct disconnect with the need to be prepared (and the financial costs that go with it) when it comes to leadership planning.

The Paradox of the Nonprofit Board

Earlier the examination of agency theory suggested a model that, in the for-profit world, creates a clear distinction between those serving the company (and thus themselves) and those serving the shareholder. A high functioning for-profit board of directors acts on behalf of the shareholders to protect them from the excess of the organization's leadership, who left unchecked, might well seek to unjustly enrich themselves at the expense of the shareholders. While a similar model seems attractive for nonprofit organizations, there is an interesting paradox that suggests a far different outcome.

Nonprofit boards of directors have, in general, the same responsibilities as for-profit boards. They determine the organization's mission, manage the CEO or Director, monitor finances, advance the public mission, raise money, and ensure that the organization meets all legal requirements with the best interests of stakeholders, not shareholders, in mind. Stakeholders, in the case of the nonprofit, are generally the combination of funding institutions, members, and recipients of the services of the nonprofit. In this respect, agency theory would appear to be very effective. The roles that the boards play in both environments are remarkably the same and indeed, many nonprofit board members likely hold for-profit positions in businesses that may even report to a board of directors.

However, while clarity is provided through the definition of shareholder and company management in the for-profit environment, no similar clear distinction is available in the nonprofit world. When the actions of the principal, in this case the leader of the nonprofit, are such that increased performance may lead to greater service to the nonprofits clients, or greater impact on a given community, the role of a board in protecting the institution from the principal becomes necessarily confusing. Such actions may be to the benefit of the organization, but if they also accrue to the benefit of the director, without the checks and balance of a for-profit institution, then goal conflict can arise. Boards may not believe they should intercede when the organization itself is prospering, even if the side affect of that activity is the increased power or presence of the director. If goal conflict can be easily seen in the for-profit world, its ambiguous position in the nonprofit world puts boards in an awkward position as to the supervision of the organization's leader (Miller, 2002).

Boards are also handicapped, in many situations, by the lack of clear performance measures for the organization. The for-profit world provides commonly held indicators of efficiency and performance in the construct of financial measures. In fact, the degree of commonality provides boards with an easy way to benchmark the performance of one organization against another. That the nonprofit world has no similar common benchmarks, even with given sectors, and indeed, little in the way of clear performance measures for most organizations, provides another barrier to board supervision and management of an organization's leadership.

Miller (2002) suggested that for boards to apply agency theory to a nonprofit, the board must recognize the chief executive's potential for self-enrichment, must agree as to

whom the organization is accountable, and must finally understand all aspects of the organization, both in terms of programs delivered and services measured (p. 434).

However, Miller noted that nonprofit boards are disinclined to "believe that their chief executives will behave opportunistically" (p. 437). Moreover, boards rarely can state with clarity to whom the organization is accountable and rarely are boards capable of enumerating the programs and services of the organization. Is this a question of board incompetence or is there something else at work that limits the applicability of agency theory and board governance in general when applied to the leadership of an organization?

The paradox of the nonprofit board is that, as Miller (2002) suggested, "deference to the chief executive seems to be the default" (p 438). In a small organization, power rests not with the board, which would otherwise be seen as managing the director, but with the director, who is seen by customers, funders, and even the board of the nonprofit as the leader of the organization (Carman, Leland & Wilson, 2010). Because boards have no "market" to inform regarding performance, the director is seen as having the "knowledge, experience, resources, or incentives to provide organizational direction and leadership" (Wright & Millesen, 2007, p 323). Indeed, boards continually wrestle with who is in charge, hearing competing advice that boards should be independent and then in the same sentence, that a nonprofit board should create significant value through fundraising as its primary responsibility. Since directors set the fund raising goals (by setting the budget and direction) the board is, in general, now working for the director. In fact, nonprofit board members regularly "act as if the executive director is the boss, even while espousing and acknowledging their responsibilities" (Allison, 2002, p. 348).

Because there are no common measurements and because the board has not established ownership as a component of responsibilities, the board is unable to process leadership transition planning as an activity because the board truly does not understand the individual roles as board members. Since ownership as a responsibility has not been established, the board lacks context and can be more accurately be termed as "helping or giving something back" versus applying a standard of oversight (Miller, p. 447). Bell, Moyers, and Wolfred (2006) quoted Chait who commented "Why is there so much rhetoric that touts the significance and centrality of nonprofit boards, but so much empirical and anecdotal evidence that boards of trustees are only marginally relevant or intermittently consequential" (p. 12). No wonder, then, that leadership planning is so commonly ignored. If board members themselves are unsure as the context of their management, how can they seek to define the roles and responsibilities of the director and ultimately the direction that the organization will proceed.

Conclusion

Nonprofit board members are often confused as to their responsibilities and uncertain as to their obligations. Operating in a volunteer capacity, with little training, and in an uncertain governance model likely very different than that exhibited in a for-profit business, board members are left to construct their own interpretation as to how they might best manage and support the leadership of an organization. With little consensus between individuals as to that interpretation, boards have little incentive to take on more substantive roles like leadership transition planning as a measure of board effectiveness.

Chapter 3

Methodology

Researchers agree that hiring a new CEO or executive director is the most important decision that boards of directors can make (Allison, 2002; Biggs, 2004; Carman, Leland, & Wilson, 2010; Dierickx & Veneziano, 2008; Groysberg, Kelly & MacDonald, 2011; Heimovics, Herman & Coughlin, 1993; McFarlan, 1999; Miller-Millesen, 2003). Board selection of directors creates long-term implications as to the success and overall direction of an organization. As an important board responsibility, boards of directors are challenged to identify the desired characteristics in directors and to search for and retain the services of individuals who will lead an organization to greater success.

While researchers agree that board members have this key responsibility, there is little consensus that board members actually take this duty seriously. Miller (2002) reported that "deference to the chief executive seems to be the default" (p. 438) while Allison (2002) suggested that nonprofit board members regularly "act as if the executive director is the boss, even while espousing and acknowledging their responsibilities" (p. 348). When board members defer to the director, and avoid planning for leadership transition, they are merely avoiding a decision that time alone will ensure they must eventually make. Boards that defer this responsibility are not only avoiding a duty inherent in the board of director's service, but are positioning an organization for a period of instability as one director departs and the next remains to be selected. The interim period, filled with competitive opportunities and operational decisions, becomes a period of uncertainty without defined leadership.

Using the research question "How do boards of directors manage executive leadership transition planning?" this researcher explored board engagement with executive directors and analyzed the barriers towards effective board/director interaction. Techniques to mitigate barriers are proposed along with recommendations for future research that further examines leadership transition planning.

Study Design - Grounded Theory Methodology

While multiple approaches to the study were available, an approach using grounded theory provided the framework that allowed for the identification of not only the barriers to board inaction but more importantly, the mechanism by which those barriers were invoked by the board. Identification of a specific mechanism allowed for the application of specific actions that boards can take to remove barriers and execute their responsibility in leadership selection.

Merriam (2009) commented that grounded theory "has a specificity and hence usefulness to practice often lacking in theories that cover more global concerns" (p. 30). Adhering to the process suggested by Strauss and Corbin, this researcher will seek to "develop a theory that explains process, action, or interaction on a topic" (Creswell, 2013, p. 86). Grounded theory requires that all participants in the research have experienced the same process. While the type of nonprofit organization a board chair serves may differ, the process of engaging with the executive director to establish future leadership selection criteria is common across all board chairs.

While a phenomenological approach might well have worked, significant academic research has explored the interaction within boards of directors and between boards and executive directors in a manner that lends itself to extending that research to

specific theories as to non-performance. Numerous barriers have been identified that hamper the efficiency of board operations. Those barriers may or may not contribute to a reluctance to engage in leadership transition planning, something that will be explored in the interview process. Finally, grounded theory provides that the research focuses on a "process or an action that has distinct steps or phases that occur over time" (Creswell, 2013, p. 85). This is particularly applicable to the selection process, as boards have direct management responsibility over executive directors and thus over executive performance, assessment, and ultimately replacement if necessary. These steps (or phases) are known to all boards to one degree or another, creating the process that boards must take in management responsibilities.

Sample Selection

The study group was limited to board chairs of nonprofit organizations in the Twin Cities metropolitan area of Minneapolis and Saint Paul, Minnesota. Nonprofits were selected on the basis of size and type of nonprofit. The nonprofits ranged from relatively large operations with an annual budget of approximately \$40 million a year to small nonprofits with revenue of less than \$1 million a year. This provided significant variation in the sample of board chairs as their initial appointment as board members was based in part on their ability to contribute to the operational management decisions associated with organizations of different scale. Further, nonprofits included various types of nonprofits, including environmental advocacy, social welfare, and business. In common parlance, the phrase nonprofit is sometimes associated with social welfare advocacy. However there are numerous business nonprofits associated with such groups as Chambers of Commerce and industry trade associations.

The sample group was limited to the urban area, because there appears to be little to indicate that geographic locality of a board, whether urban or rural, has a noticeable impact on board performance. Finally, the sample was comprised of approximately 10-20 board chairs selected for in-depth interviews. Board chairs were the logical interviewee as they are the most likely to lead the area of board nonperformance on which this research focuses: replacement of an executive director. The total number of interviews conducted was calculated to range between 10 and 20, determined when saturation has been achieved through the data analysis process.

Even though this study focuses on board chairs of small and medium sized nonprofits, there is the potential that board chairs of social welfare nonprofits and those of business nonprofits may approach leadership transition and selection in a different manner. There is no research that suggests there is a distinction, however, most researchers have concentrated on social welfare nonprofits, not those representing the business community. By interviewing both business and social welfare nonprofit board chairs, this researcher was able to contribute to the knowledge of differences in leadership transition planning. Research conclusions had a high degree of applicability across both types of nonprofits, demonstrating no discernible distinction between how the two types of board chairs approach this issue. Finally, it should be noted that board chairs of large nonprofits (healthcare providers and insurers that are required by Minnesota state law to be organized as nonprofits), were not included in the sample since, in fact, the boards of those organizations operate much more like for-profit corporate boards.

Interview invitations were solicited via written letter and e-mail directly to participants. The original solicitation, per Creswell (2013), expanded on the significance

of the study as a technique to gain full interviewee support (p. 174). If a participant expressed interest, an information form was presented for review. Once the information form had been reviewed by the participant, the researcher was able to schedule an interview at a mutually agreed location.

Data Collection

The interview process was both structured and semi-structured. Structured demographic data was collected from each interviewee. Data elements will include gender, current duration as board chair, business represented (in the individual's non-board service), and the type of organization that the board chair current serves. The semi-structured process expanded upon the questions already identified, following up on interesting leads or comments from the interview subject. As Merriam (2009) noted, the nature of a semi-structured interview is to allow the researcher "to respond to the situation at hand, to the emerging worldview of the respondent, and to new ideas on the topic" (p. 90). By examining these different responses, and expanding on them as necessary, the researcher hoped to further develop theory as to board and executive director interaction.

Merriam (2009) suggested that grounded theory use a research approach in which "the research questions are broad, and they will change several times during data collection and analysis" (p. 229). To answer the research question, "How do boards of directors manage executive leadership transitions?" this researcher developed a core set of questions that were used in the interview process. While the initial questions are broad and inclusive, the researcher anticipated that during the interview process additional

questions would be added and that they may be more definitive with respect to a particular issue. Initial questions included:

- As board chair, how would you define your professional relationship with the executive director? While bylaws define the contractual nature of the relationship, to what degree, and in what manner, do you interact with the executive director in leadership transition issues?
- As a representative of the board overall, how would you define the relationship?
- In your role as board chair, how often do you review the performance of the executive director? How is the performance review process planned and executed? What elements do you measure as part of the process?
- Describe your experience to date, either with this board or in your professional expertise, in leadership transition issues.
- In planning for future leadership transitions, what elements do you include in a leadership transition plan and why?
- What barriers may exist at the board level in reviewing, discussing, or otherwise planning for leadership transitions? Why do you believe these barriers exist?
- Of any potential barriers, which ones do you believe have the strongest influence on the board in completing a leadership transition plan? Why?
- What elements of your leadership transition plan are incorporated, discussed, or otherwise implemented in an informal way as opposed to a written plan? If you have both (written and informal) what are the differences between the two?

- When scanning the external competitive landscape, what leadership skills may be needed for the organization in the future as new opportunities or services are incorporated? Are these different than the skills possessed by the current director?
- Describe your perception of how a formal or informal leadership transition plan would impact your relationship with the current director.
- As a representative of the board would you answer in the same way? If not, how so?

All interviews were tape recorded for data analysis purposes. While the researcher took notes during the interview process, this was largely a conversation, guided in part by the semi-structured questions, that explored the board chair's own perspective on leadership selection and the board's action or inaction as the case may be.

Data Analysis

All interviews were transcribed immediately after each interview using an outside resource to eliminate potential for researcher bias. The digitally recorded interview was deleted after transcription has been accomplished. The researcher reviewed each transcript, when possible before the next interview, to validate the research questions used, to create new questions as necessary, and to begin identifying broad categories within the data. The researcher maintained a research journal to record the reactions and perceptions of the researcher to the interviews and transcripts for both analysis purposes as well as to identify the understandings that the researcher brings to each interview. This bracketing process afforded the researcher the opportunity to better explore how "personal understandings will be introduced into the study" (Creswell, 2013, p. 83). The

researcher also used interviews already completed as a sounding board for early ideas and concepts.

Creswell (2013) described the grounded theory process as a constant comparative method (p. 86) in which categories are established as the data demonstrates common attributes or patterns. This process yields what Creswell noted as "open coding" (p. 86) in which the broad categories share common attributes, even though within a category there may be different types of conditions or variables.

As the coding developed, the researcher determined which category of data best demonstrates linkage to the research purpose. This category, known as the core phenomenon, will yield, as per Strauss and Corbin (Creswell, 2013) a series of sub-categories each describing a particular action. Actions are critically important in grounded theory analysis, as grounded theory pertains to tasks that exhibit a process over time. Actions then pertain to the process, thus allowing, via core phenomenon designation, for further examination of the motivation behind a given action. Categories unique to the core phenomenon typically include, as per Creswell:

- Causal conditions - factors that cause an action
- Strategic conditions - actions taken in response
- Intervening conditions - situational factors of influence
- Consequence conditions - outcomes. (p. 86)

Data analysis at the core phenomenon level may be assisted by software designed to capture and track specific coding attributes. However, whether assisted by technology or done manually, the eventual outcome is simply broad classifications that become increasingly narrower as the researcher collected data from subsequent interviews and

finds, ultimately, that saturation of the various sub-categories has been achieved. When saturation via interviews was established, the researcher moved to the development of specific propositions or hypotheses that are supported by the data. Merriam (2009) noted that on occasion hypotheses "emerge simultaneously with the collection and analysis of data" (p. 200). The researcher remained open to this possibility, ensuring that all such hypotheses are supported by the data collected whether they emerge early or as a result of complete data analysis.

Data and Audit Trail Integrity

When each interview has been transcribed the completed written transcription was provided back to the interview participant for confirmation and expansion, if needed, with respect to any of the participant's comments. Interview participants were asked to return to the researcher either any expanded comments to the original statements or acknowledgement that the transcript accurately reflects the participant's comments. All participants provided such confirmation.

All interaction with participants was recorded in a field notes journal, providing data triangulation from the time an initial interview was scheduled, data collected as part of the interview, follow-up (as needed), and finally any review necessary as part of the data integrity process. While all data collected was normalized for anonymity, the field notes do reflect the name, dates and times of interaction, and professional associations of each participant. The field notes were retained for the duration of the research period and then securely stored for future reference as necessary.

Confidentiality and Ethical Considerations

All participants were identified as board chairs of a nonprofit organization. Individuals were not identified by name. No identifying information was used that would allow an individual board chair to be identified.

The organization was identified by type of nonprofit service performed, be it social welfare, environmental, business, etc., and was not identified by either the name of the organization or its geographic location in the Minneapolis-Saint Paul, Minnesota metropolitan area. Demographic information identified the total number of organizational board chairs interviewed, the size of the organizations (in revenue), and the types of services that the various nonprofits engaged in. However, no identifying information was used that would allow comments made by a particular board chair to be associated with a given nonprofit. In 2009, there were over 34,000 nonprofits registered with the Minnesota Secretary of State (NCCS, 2012) so there was little likelihood that a nonprofit identified as, for example, a small environmentally-focused nonprofit could be identified specifically by an interested party.

All interviewees were adults, over the age of 18, and were in the current position of acting as chair of the board of directors of a nonprofit. Participants were asked to consent to tape recording of the interview for accuracy of the transcription and note-taking process. Participants were informed that no identifying information would be used in the research that would identify either the individual or the organization. Finally, individuals were notified that transcripts would be kept in a secure location and that upon completion of the research the transcripts would be preserved in long-term storage with

no identification as to either the individual or the organization associated with the actual stored documents.

Cost

All interviews were in the Minneapolis-Saint Paul, Minnesota metropolitan area. The researcher bore all travel costs associated with coordinating each interview, recording the actual interview, and the transcription services. Such total costs did not exceed approximately \$700 dollars in travel expenses (fuel and automobile depreciation), transcription expenses with an outside transcription service, and in copying expenses for various documents as needed.

Researcher Bias

Having served on boards both in the past, and having had direct engagement in the search for a new executive director (and being the product of such a search myself) this researcher closely examined and monitored the biases brought to the process. An active journaling process throughout the dissertation process allowed for critical reflective examination of the researcher's preconceived notions, reactions to interviews, and early analysis of the data. Creswell (2013) suggested that to analyze data on a subject known to the observer, "researchers must bracket out, as much as possible, their own experiences" (p. 81). The journal was maintained as a research document. Critically, the researcher's experiences added value through the interviews, allowing for in-depth probing of answers based on personal experience. However, the researcher ensured that the interviewee interaction was governed by the interviewee's perspective, not clouded by the background of the researcher.

Chapter 4

Results

To explore barriers to leadership transition planning in nonprofits the researcher scheduled, recorded, transcribed, and then analyzed interviews with 12 board chairs of nonprofits in the Minneapolis-Saint Paul, Minnesota metropolitan area. Saturation was noted on interview 11 and confirmed on interview 12 with no new material added by the interviewee beyond statements already noted in previous interviews. Participants in the study were solicited via e-mail using the introduction letter and research participant bill of rights as approved by the Creighton Institutional Review Board. A copy of the letter is attached as Appendix A.

Board chairs were selected by the interviewee because they have the most direct relationship with the executive director and in turn, the lead roles for the boards in planning for the future of each organization, both operationally and in terms of leadership. Board chairs were asked to participate not only on the basis of their current role, but also to reflect on their previous experiences serving on boards throughout their careers. In all 12 cases, the interviewee had prior board experience beyond his or her current assignment. The richness of the interview was enhanced by the previous experiences of the participants, even when the experience may not have been in the role of board chair but rather as a board member.

The 12 participants represented 12 different nonprofits. Table 1 describes the demographic information on board chairs and the organizations they represented. Gender was recorded and participant comments revealed no unique orientation towards leadership transition planning that differed by gender. The nonprofit type does not refer

to the tax status as defined by the Internal Revenue Service, but rather in a general way to the types of services performed by the nonprofit. In the case of interview 10, the nonprofit type has been further generalized to public policy as the unique identification of the type of services offered combined with the annual revenue may have allowed for identification of the board chair.

The size of the organization was important as the data spanned a wide range of organizations in which the level of internal support and operational sophistication differs considerably. The largest nonprofit, with over \$47 million in revenue, had over 600 employees and multiple locations while smaller nonprofits, such as that represented in interview 8, had less than 15 employees and a much more modest operation.

Table 1 – Demographics of Research Participants

Interview #	Board Chair Gender	Nonprofit Type	Annual Revenue
1	Male	Disabilities Services	\$47.6 Million
2	Male	Arts and Entertainment	\$3.8 Million
3	Male	Disabilities Services	\$31 Million
4	Male	Public Policy	\$4.5 Million
5	Male	Homelessness Services	\$8.3 Million
6	Female	Energy Policy	\$2.1 Million
7	Male	Neighborhood Services	\$4.1 Million
8	Female	Arts and Entertainment	\$1.8 Million
9	Male	Agricultural Policy	\$2.8 Million
10	Female	Public Policy	\$12.1 Million

11	Female	Neighborhood Services	\$2.8 Million
12	Female	Disabilities Services	\$7.5 Million

All participants were informed that the interview would be recorded and no participants objected to the recording process. The digital file associated with each interview was sent to a commercial transcription service. The resulting transcript was then sent to each interviewee to validate their comments and provide any corrections. This check, as Merriam (2009) suggested, establishes a higher order of audit compliance as participants verify the accuracy of the transcription and add details, if they so choose, when the transcript may have missed a comment due to either extraneous noise or transcription error. All participants provided a response that they were satisfied with the transcript and that it accurately captured the interview. The transcript identified the participant by first name only and the digital file associated with the interview was deleted.

Using Grounded Theory methodology (Creswell, 2013; Merriam, 2009) this researcher began reducing each participant's comments using open coding to a key property (Creswell, p. 86). Not all statements lent themselves to analysis and many were simply "noise" in the sense that the participant was modifying the researcher's question via his or her answer or responding on a tangent that was not pertinent. The researcher was careful to focus on identification of barriers to leadership transition planning, although several other properties were captured relevant to the overall analysis. The process was repetitive, as properties that appeared at first glance to be unique were seen in subsequent analysis to have shared common traits as articulated by the participants.

When all transcripts had been reduced to key properties the "constant comparative method" was used to link like-properties to each other into first general categories and then subsequently into finer categories (Merriam, 2009, p. 30). As Merriam noted, the process "involves comparing one segment of data with another to determine similarities and differences" (p. 30). As patterns emerge, the data are organized into a hierarchy in which an overriding category can be seen to have multiple branches, all of which exert their own influence, but all of which also have a common root in the top-line category (Creswell, 2013, p. 86).

Merriam (2009) and Creswell (2013) both noted that the inductive comparative nature of data analysis is not unique to the Grounded Theory approach. Only when "a substantive theory results is the study considered a grounded theory study" (Merriam, p. 31). This researcher believed that a theory did exist, and had emerged, that explained the overriding lack of attention paid to leadership transition planning. The data categories and the nature of their hierarchical relationship suggest that boards inherently ignore the importance of leadership transition planning even while they acknowledge the risks associated with their neglect. This outcomes is predicated on board engagement which ignores the importance of creating business processes and avoids board training on the role of the board and the importance of their engagement to the organization. Moreover, the act of board training, while a tactical activity, has strategic barrier implications as well. Multiple participants noted the importance of a board truly internalizing the mission of the organization. When the mission is front and foremost, the board in turn, better recognizes the value of leadership (both near and far term) and thus the importance of transition planning.

The fact that these barriers were readily identifiable does not diminish their importance. Board chairs emphasized the importance of hiring a highly-qualified executive director or CEO even while, in turn, avoiding at seemingly all costs even the most simple of tasks in planning for an eventual transition, whether planned or unplanned. This disconnect has profound implications for board effectiveness and ultimately for organizational performance. Ultimately the lack of planning manifests itself in a board approach that creates ad hoc processes and responds to board chair preferences. These processes change regularly, create confusion and anxiety for board members, and establish no record of completion that a future board can use when the same situation occurs again. By better understanding why boards take this easy out, organizations can better support board engagement that leads to high performing boards and organizations, an outcome that truly is a win-win.

Tactical versus Strategic Barriers to Engagement

Data categories associated with the open coding process were reduced to two primary parent categories. Tactical barriers are those that invoke a near-term approach by the board to emphasize current conditions, or a fear of disrupting a current activity, and thus create a disincentive to engage in leadership transition planning. Such near term barriers do not mean that leadership transition planning is not important, but rather that the board has created internal mechanisms that provide sufficient barriers to engage in such planning, whether by the board chair or the board overall. As will be examined, it is also true that the organization itself can be very tactically focused, creating additional constraints on the board even if they wish to engage in a more strategic analysis of the organization's future leadership needs.

Strategic barriers are those focused on the longer range needs of the organization. As with tactical barriers, organizations that exhibit strategic barriers create a negative incentive for the board to engage in leadership transition planning. When such disincentives exist, the board's culture and history becomes an important consideration. A pattern of avoiding engagement perpetuates itself as new board members are indoctrinated into the informal norms that exist within board of directors.

In both tactical and strategic, open coding analysis identified a base-level property from which all other properties within the tactical or strategic category followed. Participants clearly identified these two properties and open coding revealed that both properties were cited more often than any other property as key barriers.

Primary Tactical Barrier - Lack of Board Training

When individuals join a board of directors they generally join on the basis of an interest in the organization or a perceived qualification (or contacts) that they bring to the board. While such interest in the organization is clearly an important prerequisite to board engagement (few board members would engage in an organization they had little interest in) it was remarkable how often interviewees recognized and identified the lack of board training that was provided to new board members and to existing members.

In 12 interviews, 29 discrete comments were made regarding board training and specifically, the lack of training provided. A participant noted that her board training was "a brief talk about the organization" (interview 12) while another suggested that even as a board chair "I've had to spend some time making sure I understand my responsibilities and how you run the board" (interview 5). Interviewee 1 articulated a common experience, stating "we got a tour of the facility and met the department heads...this sort

of thing was fairly perfunctory." With just two exceptions participants suggested that their board introduction was focused on the mission of the organization, not on the board's role itself or on specific governance assignments. In the two cases where board training was provided, both participants noted that the size of the organization created a more sophisticated approach to board operations and as such, a specific handbook was provided. That a handbook was provided was key, as Interviewee 3 noted "where nonprofits get into trouble is when things are done more informally."

The expectation of training for new board members seems obvious, but Interviewee 3 also noted that "it's imperative for any well functioning nonprofit to at least have some sort of periodic training for the entire board just to help remind people what their responsibilities are." This is a key point, and a key barrier, in that when training is not provided for new board members it should be remembered that existing board members were also likely the recipients of an incomplete introduction and as such, a poor understanding of their responsibilities to the organization as a board member. As will be noted in subsequent discussion, the culture and history that can result when board training is skipped is one in which past actions (and the personalities of key board members) can assume significant roles in the day to day operation of the board. Indeed, Interviewee 8 noted that in the absence of training, "people migrate to whatever the norm of the board is."

Several board members suggested the lack of board training reflected a bias towards the volunteer nature of board service in the nonprofit world. Serving without compensation board members may be reluctant (or the organization may be reluctant on their behalf) to emphasize the governance nature of a board of directors and the

responsibilities that board members have to the organization. The fact that most nonprofits maintain Directors and Officer's insurance may be known in the insurance world, but participants in the research noted that they were rarely aware of the legal ramifications of their actions or inactions. As volunteers, it may be that their role was seen as less engaged simply due to their status. This was an ill-defined aspect of training, but Interviewee 7 noted, in reference to board service, that "it's a volunteer activity even though you are committed to it." Seven participants ultimately identified the nature of a volunteer board as contributing to the lack of leadership transition planning, most notably through a lack of training on both the importance of the board's role and the responsibilities that the board had to the organization.

Finally, board training provided board members not only with an overview of the organization, but more importantly, on their role in supporting the mission of the organization, a key strategic barrier. When board training is skipped, this deprived an organization of the opportunity to emphasize those elements they believe most important to the success of the organization in the long-term, an important strategic element in offsetting the tendency of boards to focus on the short-term impacts of their decisions, particularly financial decisions.

Secondary properties associated with a lack of board training. Multiple secondary properties were associated with a lack of training. As a base level property, training sets the stage for how boards operate, what priorities boards place on board actions, and most importantly, how boards approach future decisions such as leadership transition planning. Participants in the interview process identified several properties that all flow from a lack of training and that impact the effectiveness of board operation.

Anxiety over potential for human resources conflict. Participants voiced 24 specific comments about the anxiety they felt regarding any discussion of the need for a future executive director of the organization. Anxiety ranged from the concern that Human Resources decisions on future needs could create a legal liability (if handled poorly) with the current executive director to the concern that talking about a future leadership need would force the decision as to current internal candidates, thus creating a morale issue if some internal candidates were passed over as future potential executive directors.

"Human Resources anxiety," a term this researcher developed in the course of the interviews, encompasses the discomfort board chairs articulated when discussing leadership transition planning, personnel reviews, compensation, employee satisfaction, and ultimately, employee dismissal. In a world filled with litigation over personnel decision making, this anxiety may not be unique. Board chairs invariably identified a lack of human resources experience as a barrier. When boards will not use internal organizational human resources in the leadership transition process, they look for board members with skill sets that can be leveraged. Interviewee 5 noted the board he chairs is "very engaged and I've been amazed at how much the organization gets out of the board members (in terms of a particular skill set)." But if the skill set did not involve human resources transition experience, the board would not know where to start. Moreover, board chairs were very reluctant to telegraph to existing staff that a transition planning process was underway for multiple reasons. Interviewee 6 noted that if the board did not think that an internal candidate existed as part of the transition analysis, the board "wouldn't want to offend that person by suggesting that the best course of action might be

to prepare to go outside and cast the net wider." Such an action might perversely encourage the passed over internal candidate to look elsewhere, creating a new challenge in the organization as key staff were replaced. This is hardly a new challenge but board chairs voiced repeatedly their concern that internal candidates be kept in the mix as a way to avoid "rocking the boat" (Interviewee 10).

In addition, board chairs noted when leadership transition discussions occur, invariably board members have different perspectives on which candidates (or types of candidates) would create the best fit with the organization. Interviewee 12 noted that the discussion itself has to be approached in such a way that "people (fellow board members) don't feel threatened by it, and simply understand that it's for the health of the organization." Interviewee 5 described a board meeting in which leadership transition planning had been discussed and afterwards, in the parking lot on the way to his car, he "had two discussions in the parking lot about succession planning, with whispering in my ear as it relates to internal candidates." Interviewee 5 noted the importance of letting the process play itself out, ensuring that the public voice of the board, through the board meetings itself, would dominate as opposed to the private lobbying that he was then experiencing.

Finally, human resources anxiety can be particularly pronounced when the issue of leadership transition planning involves a founder of the nonprofit. Multiple board chairs identified the uncomfortable nature of a conversation about a future executive director with the current executive director, particularly if that director is the founder. Interviewee 6 noted that in her service as board chair the board wanted to have this discussion but that "we sort of get nervous and tiptoe into things rather than deal with it

head on." Ultimately she indicated that the discussion was held, but that it had to be framed as confidence in the current director and with the caveat that the board was seeking the director's advice on a future hire if and when the founder retired or left. Interviewee 7 noted a similar situation about leadership transition in which the founder believed that "the organization was more about him than the people we served" and that any discussion on leadership transition was, as such, interpreted as an indictment of the current director.

Competition over providing services versus investment in operations. This secondary property was identified 16 times by board chairs during the interview process. When board members believe strongly in the mission of the organization they are loath to deflect resources (external consultant, planning time, etc.) on a future issue when instead they can use the resources for present day needs. Similar comments were made regardless of the sector that the participant was in, reflecting that board chairs were equally passionate about their mission whether it was social services or the arts.

While passion for the organization would likely be a self-selection criteria for anyone interested in board service, the need for experience in and understanding of back-office operations is also important to an organization. To that point Interviewee 1 suggested that boards are often dominated by "do-gooders who are committed to the mission of the organization, but really don't have any experience at board organizations." Board members who believe service delivery comes first regularly come into conflict with board chairs who understand that investment in the future, as in leadership transition planning, pays future dividends versus providing immediate satisfaction. Interviewee 3 noted that many times he has had to help "board members understand that we had a

mission and that that mission couldn't be compromised with other agendas that might be out there, whatever they may be." This was in explanation to a situation where limited dollars were being increasingly directed only to service delivery at the expense of the long-term mission of the organization.

That same negative situation manifests itself when, as Interviewee 9 noted, "there are so many things that boards think they ought to be focused on and informed on that they don't think about the long-term future." Interviewee 9 went further and noted that the role of the board chair and the executive director is to make sure boards have both a short and long-term focus. At the same time, culture and history, in concert with a focus on service delivery, can force a much stronger emphasis on the deployment of limited dollars for immediate impact. Interviewee 9 also stated that the executive director has to explain to funders, who may be interested in the impact of their investments, why the board or the organization chose to "justify investments in organizational development, leadership development, and transition." A similar comment was made by Interviewee 12, who noted that as a result of the recession "resources are getting more and more scarce" and that "we are already spending money on things that are not direct, immediate client services, but that are intended to help our organization survive."

The comments by Interviewees 9 and 12 in particular highlight the importance of the board, the board chair, and the executive director having a common vision for the organization. As will be seen under the secondary property, Culture and History, such mismatches create a significant barrier to action. Even more importantly, barriers within boards can create division that may only be resolved through significant board realignment, a complex and time consuming task.

A belief that fundraising is the principal role of the board. Board chairs identified on 11 different occasions that board members may believe that their principal role is to raise funds for the organization. When such a belief permeates the board, two things happen. First, the board members begin to take active instruction from the executive director and staff as to their fund raising assignments, creating a curious relationship where the board chair and board members are receiving tasking from the executive director, not the other way around as the by-laws of an organization might have one believe. Interviewee 2 noted this approach, commenting that "I just joined a particular board and it was just a couple of weeks later they called me and asked for an appointment with our CEO." This approach is hardly a surprise in many organizations, but the overt nature of fundraising can not only switch the power dynamic between the board and the executive director, it can create a strong culture of competition between board members that is wholly focused on fundraising, not on the operation of the organization.

Interviewee 5 suggested that this outcome, the outward competition to raise funds, creates an "expectation of fundraising" that permeates the board and, if led by a board chair also focused on fund raising, reduces all other aspects of the operation to a secondary consideration. It takes very strong board members or board chairs to push back against an organizational focus on fund raising. Interviewee 11 noted that as board chair she told the executive director "we will not allow the board meeting to be one half about development." This was a confrontational approach, but it established that the board wanted to, and would be, engaged in strategic and tactical planning and would not be dominated by fund raising. However, even in this case Interviewee 11 noted that there are

certain boards, particularly in her experience those associated with the arts, where an expectation of board service is a considerable personal donation. As she noted, "you're there to write a check when you walk in."

Fund raising can be said to be a tertiary property of culture and history, but this researcher believes that the focus on fund raising in many types of nonprofits can be the dominant culture, not a product of a particular point in time when the board experienced a financial challenge that fully engaged the board. In terms of barriers, the reversal of the power dynamic between the board and the executive director, and the overriding importance of fundraising in general, effectively limit the ability of the board to engage in any meaningful leadership strategic work.

That culture and history define the outlook of a board. Board chairs were adamant that some boards acquire a particular culture or history that defines how the board not only recruits new board members, but how it approaches the oversight relationship with the organization in question. History and culture need not be a negative and Interviewee 4 noted that "it could be a real positive because in the arc of an excellent long standing nonprofit, you do need a history and people there with the sense of what the long-term mission is." In such cases, a focus on mission, as examined under strategic barriers, can be a definite focus in terms of the ability of the board to engage in leadership transition planning. However, boards can also develop cultures that reward particular behaviors, including ones that limit a long-range or strategic outlook.

Interviewee 6 noted that in the case of her current role as board chair, the organization started with a founder who has been the only leader of that organization. The culture of the board remained subservient to the executive director as the director

actively recruited individuals who shared his vision. It was only when new board members joined the organization, during a period of financial instability, who as Interviewee 6 noted, "shared an acute interest in this topic of leadership succession planning and transition" that the board began to examine leadership transition planning as a key component in their board responsibilities.

Interviewee 6 shared that as a barrier, board culture can be pervasive and difficult to change. In her case it was only an external funding crisis that motivated the introduction of several new board members who shared a common interest in leadership and as a result, led to the formal leadership transition activity now underway. Interviewee 7 shared a similar observation that board cohesion is a function of the existing culture. In his case the board culture was one of "integrity where people are free to disagree, share thoughts, and deal with very different points of view." Interviewee 7 did note that in the case of his current board assignment the presence of a very multi-cultural board, representing a diverse population set, may have contributed to the selection of board members who share a common approach to problem solving. In other words, the positive culture of the board acts to recruit individuals attracted to a particular manner of problem solving. Such cultures invariably promote conversation, an important precursor to any leadership transition planning discussion.

Interviewee 8 noted that the current culture of her board acts to "help establish if a new board member is a good fit." Moreover, the board has established an expectation sheet that is provided to new board members to help them assess whether they feel comfortable serving. As a component of board training, whether formally delivered or otherwise, the expectation sheet has the effect of guiding board members towards a self-

selection decision as to board service. Interviewee 9 noted that "boards acquire reputations" and a negative board reputation has the effect of both limiting the attractiveness of service to potential board members and, possibly, limiting the caliber of candidates who may be attracted to employment at that organization. Moreover, as Interviewee 9 noted, boards can become ruled by a "tradition bound cultures locked into [an approach] that this is what we've done in the past." Such organizations pivot only with difficulty and absent strong board and executive director leadership, may be reluctant to take on new issues outside of their core competency.

Finally, the culture and history of a board have a direct impact on the next secondary property, the concept of a formal or informal approach to process engagement. Whether working on leadership transition planning or financial budgeting, organizations that embrace a formal process, one documented and followed by successive boards over time, will have a very different culture than boards dominated by informal processes that differ depending on the current board chair.

Informal versus formal approaches to board problem solving. Board chairs explored in detail the conversations or activities they had experienced surrounding leadership transition planning. Thirty-two comments were noted that pertained to either the use of informal or formal processes to aid boards in discussions of a particular activity. Board chairs noted that historical or cultural approaches to problem solving may create a preference for one technique over the other. However, board chairs indicated a clear preference for the use of formal processes and, even when such processes did not exist in their current role, provided input as to how a board may incorporate a formal process into a leadership transition discussion in the future.

That informal processes can create barriers to effective decision making was abundantly clear to the interview participants. Interviewee 3, an experienced attorney, noted that "it is imperative that you have some sort of handbook, or something like that, that pulls the protocol and policies together." In the absence of protocols and policies, board chairs, a dominant member of the board, or even the executive director will create an ad-hoc process that reflects the personal preferences of the individual, not the best practice approach that the board may wish to emulate. Interviewee 5 noted that in his case the executive director announced she would be leaving within two years, then several months later stated "I may be here a bit longer" due to a concern, as he perceived it, that the informal process in use would lead to a poor candidate choice to succeed her. This reinforced, for him, the importance of a defined process, as the executive director reassessing her retirement decision has now created new challenges for the board given intense lobbying by some board members for one candidate or another.

When formal processes are lacking, boards scramble to create informal solutions. Interviewee 7 noted that when an actual transition occurred, the board had "to create the transition on the fly" and that "it was not the way you should do it." Interviewee 7 further stated that leadership transition planning should be a key responsibility for any board and that "board members should ensure that there is a leadership transition plan in place should the need arise."

Interviewee 6 noted that when they began a leadership transition discussion, they also decided that it was imperative that the process be recorded and it yield a "tangible product that will record and serve as a historical reference" for future boards. This recognition that a formal process for leadership transition planning is critical, as it ties in

the importance that boards place on selecting an executive director for the organization. That boards may not have to make this decision for years at a time does not diminish the importance that a board places on the process. Indeed, Interviewee 6 noted that "documenting how the board will deal with leadership transition in the future would be a singular and substantial accomplishment."

This emphasis on formal versus informal processes was noted by many other interview participants. Interviewee 8 noted that "it is very hard for a board to start that conversation (leadership transition planning) in a truly nonthreatening way with a founder especially, or any executive." When a formal process is defined, all parties know the process and why the need exists. Interviewee 8 suggested, as did several other interview participants, that the leadership transition planning discussion be a regularly scheduled board discussion, at least once a year, appearing "on the board calendar" as a matter of course. Interviewee 10 suggested that this "forces the discussion even if it is very short," a necessary element in educating the board and the executive director as to the importance of leadership transition planning for the health of the organization.

Interestingly, three of the interview participants noted the infrequent nature of actual leadership transitions works against educating the boards on the importance of a defined process. When an activity occurs on an infrequent, hard to predict cycle, board members may believe that a rigid formal process constructed today may not be applicable years in the future. But as Interviewee 6 noted, the importance of a historical account would provide the current board with a framework from which to modify an existing process to current conditions.

Belief that leadership transition planning is the responsibility of the executive director. Analysis of the interviewee comments identified 11 separate occasions on which the participant suggested that the leadership transition planning process was the responsibility of the executive director to initiate, not the board of directors. The 11 comments were attributed to five of the interviewee participants, representing almost half of the interviews. While not indicative of the majority of interviewee comments, multiple board chairs were comfortable that the executive director was responsible for the organization and as such, had the responsibility to initiate activities that affected the operation of the nonprofit. Interviewee 8 noted that "the board hires an executive director and one of the executive's jobs is to manage the board."

This attitude was directly contradicted by the importance that interview participants placed on their role in hiring an executive director. Nine of the research participants identified, like Interviewee 3, that the board's "top duty is to hire and evaluate the leader of the organization." In the same interview, Interviewee 3 reiterated "the board's most important decision is picking that leader (referring to the executive director)." Interviewee 4 noted that "boards recognize that their most important role is the selection of the executive director." Interviewee 12 noted that the board should constantly be assessing "what is our risk if our president left" reflecting a concern that the leadership of the organization should be of top concern for the board.

As a barrier to leadership transition planning, it is notable that some interview participants both believe they will never make a more important decision and yet, at the same time, believe that the executive director should initiate the discussion. This points to a significant question as to the responsibility of the board, something that can be

addressed, as noted earlier via the primary tactical barrier, through enhanced board construction of formal business processes and training on board roles and responsibilities. It should be noted that this barrier is also linked to the presence or absence of informal or formal procedures. A formal process, in place and requiring regular board discussion, would likely serve to both remind the board as to their responsibilities and to ensure that the discussion was initiated by the board, not the executive director.

Recognition that limited resources force practical limitations. Analysis of the interviews revealed 15 instances in which participants identified the size of the nonprofit had a direct correlation with the level of staff support, and engagement sophistication, the organization can provide to the board. All participants either commented that smaller nonprofits lacked the resources to support engagements like leadership transition planning or that larger organizations had the capacity to offer greater support to the board for virtually all contemplated activities.

Interviewee 1 noted that "better funded, better organized" organizations can offer a greater degree of support while at the same time, "limited resources" are the norm in smaller nonprofits. This reflected while the board is an independent entity, the fact that the organization engages with the board generally means that the organization supports the board. Interviewee 1 further stated with respect to leadership transition planning "a small staff trying to do lots and lots of jobs and lots and lots of work" was going to be hard pressed to support a future-based activity unless the board and the executive director placed a high priority on the activity.

When board members addressed training for board members, they invariably noted that larger organizations offered training while smaller ones did not. Interviewee 3

noted while smaller organizations may lack support for the board on some activities, they can leverage "larger nonprofits who can offer their handbooks or policies." This concept came up several times, as participants noted they were aware of a policy or procedures that a larger organization had, but simply had not asked for a copy of it. This was not unexpected and many nonprofits may be reluctant to share what they may believe is a unique or competitive approach that places them ahead of other nonprofits in the same arena.

Interviewee 4 noted the importance of leveraging "the capacity of the board versus the staff." This was an important point when considered against the strategic barrier of the lack of diversity in the board environment. Instead of acknowledging their size as a limitation, smaller organizations can more carefully leverage the talent of the board on specific engagements, but only if that talent exists. Interviewee 5 noted on one nonprofit he had served there was no staff, so the volunteer board "did all the work." In such a case the culture and history of the board may support board engagement, while in an organization with even a small staff the culture may suggest a more traditional approach where the staff supports the board and not the other way around.

Interviewee 8 noted that in larger organizations business board members, typically of a senior status within their professional capacity, may expect the same level of support from the nonprofit's staff that these same individuals receive in their daily business environment. While not supported by open coding analysis, this observation suggests that to some degree, larger organizations, which attract more experienced board members, may in turn be reinforcing behavior on the board more accepting of such activities as leadership transition planning.

Primary Strategic Barrier - Poor understanding of Core Mission

As noted, open coding revealed that from a tactical perspective, board training served as the root for a variety of secondary properties that could all be tied back to poor training or a poor understanding of the role of the board. The same open coding process revealed a similar approach to a root strategic property. That property is examined below.

Board chairs made 16 comments that focused on the core nature of the organization and the importance board members internalize that mission when strategically assessing the organization. This was a primary strategic barrier to leadership transition, as without a comprehensive and thoughtful understanding of the organization board members were less likely to see the lack of leadership transition planning as a strategic risk to the organization. Interestingly, a poor understanding of the core mission would seem to also relate to tactical need to initiate a more comprehensive board member training program.

Interviewees were not surprised board members would not have a sense of the core mission, even when board members regularly join organizations based on their personal interest in the organization. Interviewee 3 noted board members regularly failed to "have a deep understanding of the mission of the organization." Commenting on fellow board members, he noted often times board members were uniquely interested in just one aspect of the organization, or one particular service delivery, and failed to have a comprehensive understanding of why the organization started and the importance (or value) that the nonprofit has to the community. Interviewee 6 noted that a board should be motivated by a "mission and strategy driven to achieve a greater objective." Drawing the distinction between a nonprofit and a for-profit organization, Interviewee 6 suggested

that this distinction should be the primary reason why a member joins a board and in turn, why the leadership of the organization should matter so much. If the mission has a unique distinction, it follows that the leadership necessary to achieve that mission matters.

Interviewee 7 noted that board members who value the long-term objectives are ones who "know a lot about the mission" and who, in turn, "are called to give back" in terms of their board service. When board members internalize the mission, they understand that short-term objectives are important, and clearly matter, but that the long-term contributions of the nonprofit are a key metric of the success to which they are contributing. Interviewee 8 noted when board members have a shared sense of the mission, they are "in it together" with the executive director, focused on impact versus program delivery (which is very operational). Indeed, Interviewee 9 noted that this creates a situation where "we're in this together even though we have different roles and responsibilities."

Interviewee 9 suggested that many times, when board members fail to internalize the mission, they have self-selected a board in which they are "served, rather than serving." This resume-enhancing board posting, attractive as it may be, does little to further the mission of the organization and as Interviewee 9 noted, creates a mismatch between the board and the executive director that "gets very frustrating." This frustration only lessens the likelihood that the board will examine long-range impacts, like leadership, as the board is far more focused on building short-term successes than focusing on long-term impact.

Finally, when board members internalize the mission it creates the context for a much more honest discussion with the executive director. If all parties are focused on

impact, not on short-term deliverables, the potential for, as Interviewee 11 noted, an "honest discussion" is significantly increased. Again, this clearly ties to board training, but it also emphasizes the importance of boards with a shared sense of purpose, of mission, in the management of the nonprofit. Interviewee 12 noted this purpose acts as a proxy for the profit motive that a for-profit organization has, tying the organization, staff, director, and board, together in a way that allows for both short and long-term discussions under a common framework.

Strategic secondary barriers to leadership transition planning all have anchors in this lack of a common understanding of the mission and of the critical importance of leadership. As examined earlier, boards understand that leadership selection is the most important decision they make. It follows that if they share in a common understanding of the mission, and the importance of selecting a leader who will further that mission, they would be more likely and willing to engage in leadership transition planning.

Secondary properties associated with a poor understanding of mission. When boards fail to understand the core mission, the reason why a nonprofit exists and of the community it serves, they in turn fail to take advantage of strategic opportunities to assess organizational leadership through various board actions or, alternatively, only take those actions when prompted by external forces. This section explores properties associated with a poor understanding of mission and how those barriers manifest themselves through analysis of the comments of the board chair interview participants.

Missed strategic opportunities through diverse board members. Board chairs commented 15 times that the diversity of the board strengthens the ability of the board to solve problems, including those associated with leadership transitions. When board

members are selected on the basis of their perceived passion for the organization versus their understanding of the mission, the board is missing a key opportunity to translate the mission of the organization into the recruitment of board members who exhibit a wide range of professional and demographic diversity. This diversity, in turn, creates the opportunity for board members to engage in the type of leadership transition planning to which an organization focused on long-term mission success will aspire.

Interviewee 1 noted that board members from a corporate background, particularly larger companies, often have the business and leadership training to "ask questions, and demand answers." These individuals are not antagonistic to the organization, but rather have high expectations that results can be measured, something which many board members unfamiliar with the profit motive central to a for-profit organization are aware. Interestingly, Interviewee 3 noted that focus on mission, combined with a professionally diverse board, creates a strong focus on future leadership needs only because the board is now more centrally aware of the importance of leadership in achieving the mission. Interviewee 3 did not say that a non-diverse board would not have these discussions, but rather that a professionally diverse board focuses on mission needs, not "what we liked or didn't like about the previous leader."

A mix of board members also helps avoid blind spots, a particularly pronounced problem when like-minded board members focus on particular aspects of the operation, not the long-term mission. Interviewee 3 noted that "different board members will bring different perspectives" to the discussion. This is particularly important when focusing on leadership needs as different board members will bring very different approaches to the discussion. Interviewee 4 noted that "what experience a board member had in his or her

professional life" has a direct impact on the individual's interpretation not just of the mission, but the importance of leadership. Bias towards a particular style of leadership or locking in a mindset that ignores future variables, can be very pronounced when the board exhibits low diversity. Interviewee 7 reflected that "very different people with different business backgrounds have brought a lot more integrity to our analysis of our leadership needs." Interviewee 6 noted a situation when she joined a board to find it dominated by individuals from the utility industry, an industry characterized by long-term longevity in the workplace. It was only after several other non-utility board members joined her was she able to force an analysis of the leadership transition plan to prepare the organization for the future. Moreover, this same board chair said that the combination of diversity and commitment to the mission was key in reassessing the mission of the organization. That in turn, created very different expectations for a future leader.

However, diverse business skills among board members must be balanced against the mission objectives. Interviewee 8 noted often times new board members struggle "to see how to translate their business skills to the nonprofit's needs." This transition is made easier when mission commitment comes first and is followed by translation of skills. Far too often, according to Interviewee 8, board members are passionate about the organization, "but don't know enough of how to run it." This is particularly pronounced when examining leadership needs, where the urge to define leadership based on personal experience can be pronounced. A diverse board, with multiple perspectives, can bring a comprehensive review to the organization's leadership needs.

Several board chairs commented that a diverse board, particularly with respect to professional backgrounds, only comes about when the organization understands its

mission and is able to translate those mission objectives into defined professional needs. For example, a nonprofit expanding its service area, or seeking to add new services, may benefit significantly from a board member with sales or marketing experience. In turn, those needs can be translated into leadership objectives for the current executive director and ultimately, into job qualifications for a future director.

Missed analysis of leadership needs during strategic overview. Most nonprofits, at least once every few years, execute a strategic review of their organization. This review is done by the board with the assistance of staff, often times aided by an external consultant. While reviews focus on the entire organization, it has been, according to the interview participants, relatively rare to incorporate a leadership transition plan into the strategic review. Interviewee 1 noted, in reference to including a leadership analysis in the strategic review "it just isn't something that rises to the level of either reality or importance, I guess, even though it should." This was typical of the nine comments reviewed, in that participants saw the opportunity to add leadership analysis after the fact, not as something they typically incorporated in the review from the beginning.

The idea that a strategic review is a great opportunity to add a leadership transition analysis was further developed by Interviewee 1, who noted "we have trouble enough dealing with the situation that you have in front of you today" and commenting that the strategic review creates an opportunity for the board to explore "a staffing perspective for tomorrow." Interviewee 2 suggested the strategic review allows the board, when assessing leadership transitions, to "lay out your strategic plan" and determine if

your current leadership is "going to get you there, whether they (the executive director) realize that or not."

When asked why the strategic review was not, on a more regular basis, used to evaluate leadership transition planning, interview participants returned to familiar themes of Human Resources anxiety and an unwillingness to risk disruption within the organization. This may be why, as Interviewee 3 noted, so many organizations engage a consultant during the review process as consultants "force a review of all of those things." Interviewee 9 addressed this concern in part, noting that via the strategic review they (his board) hoped that "at least now there is somebody on there thinking about if our executive director leaves and if we have a transition plan."

Several board members suggested that if the leadership transition analysis was a defined part of the strategic review it would force a stronger analysis not just of the present director, but of the future leadership needs as based on market conditions. Moreover, such an analysis would assist in determining if the needs of the organization in the future would be met by the present director, if the present director would need training to accomplish the anticipated new tasks, or if a new executive director would be needed.

Tertiary property of missed opportunity. While board members discussed the absence of a leadership transition analysis during the strategic review, they did acknowledge there are instances in which external forces require that the leadership analysis be completed. Interviewee 5 noted an occasion in which a lender, as a condition of the loan, required the organization not only evaluate the current executive director, but demonstrate to the lender the board had established the hiring criteria for a future

director. Similarly, Interviewee 8 noted several occasions on which major funders of the nonprofit asked for explanation as to how the organization would respond to the departure of the current founders and how the board would act to fill the void. The board, she noted, recognized this activity validated the “organization should outlive the founders” adage. The funders’ requirement prompted the board to “lead to a succession plan and what’s needed 10 years from now.”

It was not uncommon that external pressure might lead to a leadership transition analysis. External pressures often times initiate activities that organizations, left to their own timeline, ignore or postpone. However, what was curious was not that the boards responded, but that so few of the interview participants noted the external pressure necessary to accomplish a key board component. As with board training (Tactical) and a poor understanding of the mission (Strategic), action simply pointed out the void that exists.

Conclusion

Interviews with board chairs offered a rich perspective on the interaction between board chairs and executive directors of nonprofits. While board chairs recognized the importance of hiring an executive director, they commented on instances where they were not prepared. “We were very lucky,” said Interviewee 7 while Interviewee 2 said “We dodged a bullet,” with respect to finding a new executive director in a timely fashion. These same board chairs were regularly unprepared to initiate any leadership transition planning as part of a scheduled board activity. Open coding of participant comments revealed a lack of board training, particularly on the role of the board in the selection process, played a significant role in board avoidance of leadership transition

planning. The same was true with respect to mission and how boards internalize that mission into their service. When board members are unclear as to the organization's mission they struggle to define a long-term vision for the leadership needed.

While multiple secondary and in some cases tertiary properties were identified, the findings of this research suggested that organizations that emphasize board training, and those for whom mission attainment is a board focus, will be those more readily accepting of the notion that leadership transition planning is a necessary and critical component in the long-term health of the organization. Moreover, those accepting leadership transition planning may be more critically engaged in the long-term success of the organization as the act of leadership planning requires a host of ancillary activities that define the market space and business challenges the organization must face.

Chapter 5

Conclusions and Recommendations

Hiring a new CEO or executive director is the most important decision that a board of directors can make (Allison, 2002; Biggs, 2004; Carman, Leland, & Wilson, 2010; Dierickx & Veneziano, 2008; Groysberg, Kelly & MacDonald, 2011; Heimovics, Herman & Coughlin, 1993; McFarlan, 1999; Miller-Millesen, 2003). Yet the research demonstrated while board chairs of nonprofits recognize this responsibility they are rarely prepared for leadership transitions and moreover, regularly avoid bringing the subject up within a board even when they know the issue exists and merits attention. Failure to engage in leadership transition planning can place nonprofit organizations into periods of suspended animation as temporary leaders await the selection of permanent directors. In addition, it can cause board disruption as divisions within boards may have been addressed as part of the transition planning emerge under the time-compressed period while a director is selected. Lack of mission focus, a reluctance to engage in perceived human resources issues, and an unwillingness to confront board responsibilities to the organization are all barriers to leadership transition planning. This study examined the barriers that exert influence on board inaction with respect to the leadership transition planning process and in turn, suggests specific actions that boards and executive directors may take to mitigate the influence of those barriers.

While the identified barriers are substantial, board chairs also suggested in the course of the research straightforward mechanisms for dealing with the barriers that may, if implemented, lead to not only an increased willingness to engage in leadership transition planning, but may actually strengthen a board's commitment to an organization. This chapter will address the results of the research, highlight the techniques board chairs

can implement to mitigate barriers, and suggest several other implications of this research that merit further attention.

Barriers to Leadership Transition Planning - Frequency

While multiple barriers exist to leadership transition planning, the most obvious is the relative infrequency of any actual leadership transition during a given board member's tenure. Bell, Moyers, and Wolfred (2006) surveyed nearly 2,000 executive directors of small nonprofits (less than 100 employees) and found that approximately 44% of all directors believed they would stay in their role three to five years while approximately 29% suggested they would remain as director longer than five years. The combination of the two indicates that over 70% of all directors plan to remain in their role for greater than three years. When board chairs serve terms of one, or even two years, this dramatically reduces the chance they will have an executive director depart during their term, reducing their perceived need to solve a challenge statistically unlikely to occur.

The situation is exacerbated when an executive director is also the founder of the nonprofit. While it is unknown how long founders typically remain in an executive director position, interviewees regularly acknowledged that such directors are essentially seen as serving until they retire and are not subject to the same type of leadership assessment as that of a director hired by a board after the founder has departed. Again, this creates a strong disincentive to engage in leadership transition planning as such planning may be interpreted as disloyal to the founder of the nonprofit serving as executive director. Interviewees noted that only when the founder had signaled his or her intent to retire was the board free to begin engaging in such activities.

Lack of board training. Interviewees suggested board training, when provided, focused on the organization itself, not on the roles and responsibilities of the board. Interviewees regularly reported a cursory review of the organization when they joined boards, suggesting that new board members were thought to already be familiar with the organization. When training on board responsibilities is avoided, board members only learn history and culture from existing board, whose members were not trained themselves. As a result, the board perpetuates an atmosphere in which board service is focused on the operational side of the nonprofit, including fundraising, with little emphasis on the legal responsibilities (as described most often in the bylaws) of the board of directors of the nonprofit. Indeed, few of the interviewees could recall ever even seeing the bylaws of the boards on which they served.

The rarity of board training has several detrimental effects on board performance, specifically as it relates to leadership transition planning. Inadequate board training leads to reliance on informal versus formal approaches to leadership planning. When training is not a formal part of the board member experience, board members have little in the way of analysis of processes, and the explanation of why they are important, to engage with. No experience working with processes, in turn, creates little reason to review, discuss, and enhance existing processes for future training. Finally, when no training is provided, each board member interprets his or her role independently, leading to a board with little sense of cohesion as to a common focus.

None of these barriers are life-threatening to boards, but the barriers reinforce the distinction between a board that works for the organization (and specifically the executive director) and one that works for the mission of the organization. When board

members work for the executive director, they become very focused on the assignments the director provides. As interviewees suggested, this most often manifests itself as a focus on fundraising, whereby board members are tasked by the executive director to raise funds for the nonprofit through both personal contacts and various other fund raising initiatives. Fund raising is an integral part of many nonprofits, but when board members have no training as to their roles they, as the research demonstrated, may assume that their primary duty is fund raising, not future strategic initiatives like leadership transition.

When training is provided, as was the case for at least some interviewees, it creates a strong sense of responsibility as to the board member's service. Defined responsibilities may in turn enhance accountability, an important function in fulfilling board duties focused on both the present and, in the case of leadership transition planning, on the future. Without accountability to the organization, board members may believe their actions are more appropriately targeted on near-term revenue objectives, not long-term organizational success metrics.

Reluctance to engage in human resources issues. Board members overwhelmingly identified leadership transition planning as a component of human resources planning (which it is) but in turn, they identified human resources planning as anxiety provoking. This research did not examine in depth the source of that anxiety, but multiple interviewees suggested that any time discussions of work performance and leadership transition occur, the organization and the individuals involved (members of the board) believed they were assuming additional potential liability.

While this may be indicative of a litigious society, it is also a strong indication that board chairs are reluctant to engage in any activity that would generate personal or professional liability for themselves or the organization. This reluctance can be offset through board training focused on changing perceptions of leadership transition planning as a potentially dangerous task. Moreover, board training should explain the importance of Directors and Officer's insurance, particularly in the context of human resources decisions made by the board. Finally, board training on the importance of leadership transition planning creates the context for a procedural discussion on the very issue, forcing the board in a positive way to confront their own anxiety over human resources issues and find a mechanism, through the planning process, to offset anxiety.

Informal versus formal processes. As with human resources anxiety, the lack of board training on the processes surrounding the board may contribute to the creation of informal processes for leadership transition that can (and do) change regularly based on the culture of the board and the leadership of the current board chair. When board members are unsure of a process, and there is no baseline formal process to evaluate it against, they may become reluctant to challenge the history and the culture of the organization on how something (a particular process) is accomplished. Interviewees regularly noted formal processes provided the context for discussion and then action, while informal processes led to confusion and reluctance, particularly by new board members, to suggest alternatives.

It was not unexpected that informal processes dominated the leadership transition process. In the absence of guidelines interviewees noted organizations would regularly endorse different approaches at different times for the same challenge. It was unexpected,

however, to find the degree to which board chairs were tolerant of informal techniques. Board chairs, one would assume, should be well versed in their organizational responsibilities and on the importance of acting within not just the bylaws of the organization, but in a manner that best incorporated the entire board as a resource. The research suggested board chairs were versed, albeit poorly, in the leadership transition process. Only training or prior personal experience in leadership transition would lead a board chair to approach the process in a manner that would benefit the entire board and thus the organization overall. Given that boards agree selecting an executive director is the most important role boards have, the need for a formal process to document the process for future boards and to enhance the quality of the process seems to be a logical outcome.

Poor understanding of the organization's mission. Interviewees regularly identified that board members without a clear and definitive sense of the organization's mission would, in turn, be unable to identify the need for leadership transition planning as a key component of board service. Interviewees suggested when board members have passion for the organization's deliverables, be they social welfare, business, environmental, etc., they may serve the organization, but lack the insight into why they serve. Service, according to the interviewees, is about a long-term view of the impact of the organization and creating and serving in a market space that has long-term implications. When board members confused passion for service with mission, board members failed to understand their own long-term role in preserving the institution and in turn, failed to place leadership transition planning as a key priority.

Board chairs suggested this particular barrier was in part induced by a board recruitment process more focused on those who wish to serve versus a recruitment process that seeks to fulfill the needs of the nonprofit. Planning for board member recruitment allows for an assessment of the organization's needs, both short and long-term, and thus of the selection of candidates who can meet those needs. When passion is substituted for professional competency, boards may default to serving the board member's desire to be engaged, not the nonprofit's need for sustained operational performance.

Board diversity. Board chairs also identified board diversity, particularly as it related to professional competency, as a key contributor to avoiding leadership transition planning. When board members are selected based on their passion for the organization rather than the competency they bring to the board, the board itself may be intensely focused on the nonprofit but lacking a heterogeneous skill set that would help the nonprofit weather not only human resources issues like leadership transition planning, but the host of financial, operational, and legal challenges organizations routinely face. This is not to say boards need to have a single board member competent in each business function, but interviewees suggested with demographic and professional diversity comes a willingness to see the long-range needs of the organization versus a short-term focus on day-to-day performance.

It is an important observation that this factor or barrier relates directly to board recruitment. More than one interviewee noted that many boards recruit those interested in the cause rather than candidates with needed skills. Recruitment for competency and for board diversity in demographic categories starts with a strong board chair that

understands the importance of diversity and honors a commitment to create a recruitment process that will meet those objectives.

Recommendations for Corrective Action

Leadership transition planning plays a critical role in the performance of any organization. Nonprofit or otherwise, when boards of directors act to assess the organization's leadership need and how those needs will be met not just at present, but in the future, it strengthens the ability of the organization to plan for the future. Planning for future executive leadership needs creates the context for a stronger assessment of all of the components that go into leadership transition planning, including market assessment, service overview, strategic planning, and ultimately how and where the board believes the organization will best succeed.

To implement leadership transition planning, board chairs and boards can take concrete action in several key areas. This section explores the recommendations board chairs can implement that will strengthen the organization's ability to engage in leadership planning and in turn, in the strategic issues that influence the organization.

Board training. Board training is conspicuously absent in many nonprofit organizations. When board training is provided, for both existing and new members, it most often consists of reviews of various operational or service areas within the organization, not on the duties of the board itself. Board chairs who wish to improve the performance of the board would be wise to implement comprehensive and regular board training not just on the organization that they serve, but on the roles board members play.

Board chairs would also benefit from training on the challenges board chairs face in leading a volunteer board, maintaining focus on the organization's future, and

interaction with the executive director. When board chairs are selected, as so many board members are, based on enthusiasm and passion, the organization is harnessing just one aspect of board leadership. Board chairs should be equally as well versed in the leadership challenges and responsibilities they face, allowing them to more effectively leverage the talents and enthusiasm of the entire board in the performance of the organization.

Training need not be complex, but it must be regular. Larger nonprofits often have a board handbook that smaller nonprofits may be able to review and borrow from. Board members should be required to review the handbook and attest to their successful overview. Formal processes, like leadership transition planning, should be developed by the board and then incorporated into the handbook. Development of the handbook would not only document important processes, enhancing board effectiveness, but the process of creating the handbook would likely create discussion and debate within the board as to priorities and focus, an important discussion that absent the process itself of creating a handbook would be left to happenstance. Handbooks contribute to both older and newer board members competency as the handbook becomes a living document guiding service.

Board training should cover both the legal responsibilities of the board members as well as their relationship with the executive director and the need for regular planning as to future leadership needs. This research uncovered many conflicting opinions as to the relationship between the executive director and the board, particularly in the area of fundraising where board members regularly receive assignments directly from the executive director. Clarifying board members' roles in fundraising, which is very real in many nonprofit organizations, as well as the reporting relationship between the board and

the director would serve to further reinforce the key leadership role that the board has in planning for organizational leadership needs.

Board training also serves to reduce human resources decision anxiety, an important barrier interviewees consistently identified during the research process. When board training explains a process, and moreover explains the importance and impact of leadership transition planning, board members better understand their role and the need for the planning process. The combination of understanding why organizations typically carry Directors and Officer's insurance, to protect board members during board deliberations, and the use of a process that often times emphasizes outside consultants during a search process both act to further reduce human resources decision anxiety.

Training must also reflect planning for the future, particularly as it relates to strategic planning, and should always include a current and future-based assessment of leadership needs. Board chairs acknowledged future leadership needs, given changing market conditions, may be very different than the leadership capabilities offered by the current executive director. If strategic planning looks only at the market place and not at the leadership necessary to execute within a dynamic market, an important element in strategic planning is being missed. The two are very different, as assessing current skill set (and competency) is about day-to-day performance while strategic assessment of market conditions, both present and future-based, is about determining what leadership skills are likely to be needed at some future time.

Finally, training acts to formalize the process of leadership transition planning. By creating and documenting processes for board action, then incorporating those processes into a handbook that describes the role that the board plays, future boards have a template

on which to base the infrequent process of replacing an executive director. Formal processes help to avoid the undue influence or bias caused by a dominant personality in the person of a board chair or board member that might exclude other members of the board. Interviewees thought formal versus informal approaches to problem solving and a board handbook, even with the most cursory of outlines as to how a process might be accomplished, would be a tremendous improvement over ad hoc processes and the minimal or unfocused training that exists today.

Regularly schedule leadership review and assessment. Two interviewees noted that engaging the board in leadership transition planning was easy when it was a regularly scheduled item on the board calendar. Such an approach demystifies the human resources aspect of any leadership assessment by making it regular in occurrence and thus predictable to staff, the current director, and the board. Combined with a codified process, such an approach helps the board prepare for the leadership discussion by thinking about the critical elements of successful leadership.

When leadership assessment, review, and ultimately transition planning is elevated to a board agenda item, the organization gains not only board attention to this critical function, but staff attention as well. In nonprofits of all sizes there may be speculation as to the future leadership needs of the organization. Many nonprofit board meetings include all or some of the staff of an organization, allowing them to gain greater insight into what leadership elements boards believe are most important to the organization. Centered as it is around leadership, the discussion may prove valuable to both the executive director and staff alike as future market conditions, competitive forces, and industry needs are debated in the context of what leadership needs the organization

will have in the future. Instead of hiding leadership needs behind the mantle of an uncomfortable human resources assessment, true leadership transition planning is about organizational health and success, topics sure to drive employee interest as they build, presumably on their own desire to see the organization succeed.

Board selection process. Many board chair comments during the interview process pointed to the caliber of those individuals who are selected for board service as a contributing factor in barriers to leadership transition planning. Several interviewees characterized the application process as one of informality in which candidates who express interest were simply told that they had been appointed to the board and encouraged to show up for their first meeting. Moreover, many nonprofits select board members at least in part for their ability to contribute financially to the organization, combining the applicant's passion for the organization with the nonprofit's need to accomplish fund raising, rather than on their business skill sets.

While these are all valid approaches, several interviewees suggested a more strategic assessment of board service, one in which diversity both in demographic and in professional competencies is weighed against board needs. When organizations are more strategic in their board selection the result may be a more competent board better able to address complex and demanding challenges. This does not mean that each and every new board member needs to have experience in all issues including leadership transition. Rather a diverse board provides greater perspective on both short and long-term issues than a board more focused on only a shared passion for the organization.

Implementation of these relatively simple recommendations increase the likelihood that leadership transition planning will become a regular activity of the board.

When board members value the long-term success of the nonprofit, and see that leadership transition planning only assists in strengthening future outcomes, they may well embrace other techniques that lead to a more thoughtful long-range analysis of the organization.

Recommendations for Further Research

Understanding barriers to leadership transition planning creates several logical research opportunities to examine the barriers further, to explore whether mitigation was successful, and to review how the organizational structure of a nonprofit may or may not contribute to effective long-range planning. These research opportunities might provide additional depth and understanding as to the dynamic board/executive director relationship and the nature of how boards operate in a nonprofit environment, particularly when tasked with direct engagement with the present executive director and planning for future executive directors.

Creation of formal processes. Before training can be accomplished, boards must discuss, design, and ultimately implement processes surrounding business tasks, like leadership transition planning. Future research can examine how such processes are initiated within boards, whether by board chairs or members, and how the formulation of such processes is managed. Business process design is rarely simple and organizations may have a temptation to overly design processes that, for future decisions, may be too complex. Alternatively, simple frameworks may work in principle, yet fail in future tests when the intellectual knowledge regarding how the framework was designed has long since left the board.

Assessment of board training. While a strong recommendation was to implement board training on board roles and responsibilities, there are several research opportunities available to establish the degree of training required and the effectiveness of training methods. Boards of directors are not a static entity and there is both planned and unplanned turnover as board members reach a term limit or depart the board due to professional or personal considerations. Board training must accommodate the changing status of personnel on the board and provide the context to orient not only new members, but existing members who desire more training. It may also be true that some form of unique training is required for the board chair who must initiate activities like leadership transition planning.

Future research may wish to examine boards that implement board training components and then compare outcomes as they relate to leadership transition planning with those nonprofits who do not implement board training. Additional research might also establish if there is a minimum level of board training required (an important consideration in the all-volunteer, cost-conscious world of nonprofits) that generates sufficient experience and desire to engage in long-range activities like leadership transition planning.

Assessment of board selection process. Much is unknown as to how nonprofits select future candidates for board service. While this researcher is familiar with several nonprofits using various forms of nominating committees, a common denominator is to effectively limit the search, early on, to those candidates who have already shown interest in the nonprofit. This does not mean the process is flawed, but it does suggest that little in

the way of strategic analysis as to board needs, when measured against organizational needs, is used.

Research as to the board selection process might well develop a greater understanding whether boards deliberately built to diversify skill sets are better at long-range strategic planning, including leadership transition planning, than boards that simply recruit based on personal interest. This is a key area of potential improvement in board performance, as virtually all interviewees stressed the importance of a qualified, diverse board in effective planning.

Assessment of size of nonprofit. Virtually all interviewees, to one degree or another, commented on the size of the nonprofit as a gating factor for such activities as leadership transition planning. When larger organizations have sufficient staff to support board planning activities, they presumably can devote such human capital in a manner that smaller nonprofits, with less resources, cannot.

If the size of the organization truly is a factor, there may be a minimum size in terms of staff support sufficient to encourage the board to take on long-range tasks. The number may be related to staff size or it may be related to revenue when revenue can act as an enabling tool to hire outside consultants for board support. Moreover, if there is a relationship between size and board support, it may be different depending on the type of nonprofit. Interviewees suggested board members are conscious that dollars spent on board support are dollars that will not be spent on the nonprofits service delivery.

Analysis of the size of the nonprofits engaged in leadership transition planning might also reveal distinctions as to organizations relying on the board for operational planning and support versus those that see the board primarily as a fundraising tool.

While the size of the nonprofit may matter, fundraising as the focal board activity may trump staff or revenue size depending on the type of nonprofit.

Conclusion

The literature review established, as did the interviews, that board members are well aware of the importance of selecting an effective executive director for a nonprofit. However, the infrequent nature of executive transitions, along with a variety of factors that act as barriers, combine to create inaction on the part of the board in planning for future leadership transition. When boards and board chairs fail to plan for the future, unplanned executive transitions may create informal processes that can alienate board members, staff, and even major funders. Moreover, informal processes leave little for the next board to leverage when a similar situation occurs, perpetuating the cycle of an unprepared board approaching what is a major activity.

Leadership transition planning allows boards to look forward, examining market forces, internal strategy options, and ultimately the caliber (real or needed) of the executive leadership to meet future needs. When boards execute on leadership transition planning they are making a powerful investment in the future of the nonprofit, anticipating and executing on a strategy that recognizes the importance of leadership in any business, nonprofit, or otherwise.

Barriers to nonprofit leadership transition planning are readily identifiable. From failure to develop formal procedures, to a lack of training, to board anxiety over human resources decisions, boards and board chairs find ready-made excuses to avoid this discussion. Boards that do engage in leadership transition planning are those that invariably have demystified the process, creating a formal approach, coupled with board

training that ensures the need, the process, and the outcomes are well established and clearly identifiable. Such techniques remove barriers, lessen anxiety, and create an incentive for boards to plan for the future of the organization, a key metric for any board vested in the organization it serves.

Deferring the future to execute on tactical responsibilities is hardly an uncommon occurrence. But board chairs are in a unique position to help the full board understand and engage in a process that strengthens the nonprofit community and moreover, reinforces the day-to-day responsibilities of the board in managing the executive director of an organization. While demands like fund raising will always exist, the primacy of the board in working with, evaluating, and planning for the future of the executive director position should never be forgotten. Leadership transition planning reinforces this most important of tasks and helps boards vest themselves in both the short and long-term success of the organization.

Appendix A
Participant Offer Letter

Dear Potential Participant:

Thank you for your review of this letter. This study is part of my dissertation research for a Doctorate program in Leadership that I am enrolled in at Creighton University, located in Omaha, Nebraska.

This study will examine the barriers to leadership transition planning between boards of directors and executive directors of small or medium sized nonprofits in the Minneapolis Saint Paul metropolitan area. Your interview will help me in examining the variables involved in initiating or completing transition planning and how and why those variables affect nonprofits. When leaders leave an organization, either in a planned or unplanned fashion, the speed at which a new director can be selected is very much influenced by the degree of planning for leadership transition that has already been completed.

Your observations and suggestions are critically important. In your role as a Board Chair you have undoubtedly thought about what may happen should your now current director choose or be asked to leave. By examining your answers, as well as those of other board chairs across the metropolitan area, this research will help all Board Members of nonprofits better manage when such transitions do occur.

The interview will take approximately 30 minutes. Your interview will be recorded and a transcript of the interview created. The complete transcript will be returned to you for your examination and to make sure that your comments have been accurately noted. The digital recording will be deleted when the transcript has been

completed. The transcript will not use your name or that of the organization you work for.

No identifying information will be used in this study that would link your comments to either yourself or to the organization on whose board you serve. Aggregate data will be used to describe the Board Chairs and the organizations they represent, but nowhere will any reader be able to associate a given remark to a given individual or organization.

Your participation is entirely voluntary and you may terminate the interview at any time. There are no known risks associated with participating in this study. No compensation is provided for your time spent during the interview.

If you have further questions, you may contact me at 651-260-3424 or at matt@saintpaulchamber.com. If you have questions regarding the rights that subjects involved in research have, you may contact the Creighton University Institutional Review Board at 402-280-2126.

Finally, a Bill of Rights for Research Participants is attached to this document. You have these rights as a participant.

Please respond to me via e-mail or telephone as to your interest in this study. I look forward to contacting you and to setting up a time to conduct the interview.

Sincerely,

Matt Kramer

Bill of Rights for Research Participants

As a participant in a research study, you have the right:

1. To have enough time to decide whether or not to be in the research study, and to make that decision without any pressure from the people who are conducting the research.
2. To refuse to be in the study at all, or to stop participating at any time after you begin the study.
3. To be told what the study is trying to find out, what will happen to you, and what you will be asked to do if you are in the study.
4. To be told about the reasonably foreseeable risks of being in the study.
5. To be told about the possible benefits of being in the study.
6. To be told whether there are any costs associated with being in the study and whether you will be compensated for participating in the study.
7. To be told who will have access to information collected about you and how your confidentiality will be protected.
8. To be told whom to contact with questions about the research, about research-related injury, and about your rights as a research subject.

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