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Succession Planning in Nonprofit Organizations[1]

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[1] An earlier version of this paper was presented at the 2009 Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) annual conference, November 18-21, 2009 in Cleveland, Ohio

CENTER FOR NONPROFIT STRATEGY AND MANAGEMENT
WORKING PAPERS SERIES

Executive Summary

Executive leadership is a critical component for the success of nonprofit organizations. An upcoming period of leadership transition is predicted as substantial numbers of baby-boomers approach retirement age. With nonprofit organizations growing in both size and number, an impending leadership deficit is a concern. To help prepare for these important transition events, this study focuses on planning for executive succession in nonprofit organizations.

Succession planning has received extensive attention in the for-profit business literature (Beatty & Zajac, 1987; Brady & Helmich, 1984; Dalton & Kesner, 1985; Kesner & Sebora, 1994; Lynn, 2001; Vancil, 1987). The notion of succession planning spans a range from any efforts to plan for succession to an expansive view of systematic internal talent development. Some level of succession planning has been found to be important, with succession plans associated with higher organizational performance (Friedman, 1986; Giambatista, Rowe, & Riaz, 2005). Evidence further suggests frequently inadequate succession planning; smaller organizations especially may perceive a lack of resources to devote to such

planning, compounded by thin ranks of internal talent for grooming a successor (Ip & Jacobs, 2006).

Research attention to nonprofit executives and management transition processes has been scant (Allison, 2002; Austin & Gilmore, 1993; Fletcher, 1992; Herman & Heimovics, 1989; Richie & Eastwood, 2006; Santora, Caro, & Sarros, 2007). Yet management succession is likely to be more difficult in the nonprofit sector due to an apparent shortage of experienced executive directors in the job market (Allison, 2002; Tierney, 2006), lower salaries and lack of organizational infrastructure combined with an increasingly demanding set of executive tasks (Tierney, 2006; Von Bergen, 2007), and attributes that make nonprofit positions potentially less appealing to Generation X and Y future leaders (Kunreuther, 2003; Von Bergen, 2007).

This study examines nonprofit organization succession planning through a survey of executive directors of 501(c)3 charities and 501(c)4 cooperatives, with 246 returned questionnaires, a 15% response ratein the preliminary analysis. Initial results show charitable nonprofits and cooperatives to be surprisingly similar, given the strong sales and profit orientation of the latter. The cooperatives in the sample are somewhat larger and more likely to plan and use executive recruiting firms, having more resources with which to work.

Both types of organizations see succession planning as important, yet are doing little about it. Both report relatively long tenure of their current chief executive, without urgency of imminent turnover. Only about a third of the organizations expect to lose their chief executive within the next 4 years, and less than 20 percent expect so within the next 2 years. Findings do not suggest anticipated difficulties replacing the chief executives, with over half the sample expecting a short regional search process. The charitable nonprofits note unique attributes of their current leader that will be hard to replace, and low probability of hiring a recruiting firm.

Relatively poor board performance is reported for succession planning in general and identification of external and internal candidates in particular. Internal candidates are preferred in about half the organizations, even though about two-thirds report no viable internal candidate. Moreover, level of effort in leadership development activities was not high. Finally, respondents strongly prefer their next chief executive to come from a similar type of organization.

Overall the picture is a mixed one: positive in that an immediate leadership deficit is not perceived, yet contradictory since the nonprofits studied here appear ill-prepared for and even unrealistic about the upcoming challenges they identify. Clearly there is considerable work ahead to better prepare for executive succession in nonprofit organizations.

Introduction

The key role of executive leadership in nonprofit organizations has been recognized for many decades. An early empirical study found that charismatic leaders, with professional independence and idealism, have potent influence on the direction and performance of the nonprofit organization (Newman and Wallender, 1978). Later work by Herman and Heimovics (1990, 1994) reinforces the notion of the chief executive as the single most critical factor underlying nonprofit effectiveness. They conclude that "chief executives occupy a place of psychological centrality" and "are assigned and accept responsibility for both successful and unsuccessful outcomes", whereas "board presidents see themselves as affecting outcomes little" (Herman & Heimovics, 1990, pg. 171). Yet despite widespread acknowledgement of the nonprofit executive's significant post, targeted research attention to either nonprofit managers or management transition processes has been scant (Allison, 2002; Austin & Gilmore, 1993; Fletcher, 1992; Herman & Heimovics, 1989; Richie & Eastwood, 2006; Santora, Caro, & Sarros, 2007). A review of the nonprofit literature conducted for this project discovers the vast majority of nonprofit governance and leadership inquiry focused on boards of directors, and only tangentially on executive directors. Perhaps the tendency is to rely on theories and evidence from for-profit corporations for executive leadership guidance, an approach generally found inadequate to understand the nonprofit context considering key differences between the sectors in end goals (money vs. mission), reliance on volunteers, a more nebulous relationship between executive director and nonprofit board of directors (McFarlan, 1999; Middleton, 1987), and an increasingly complicated mix of revenue streams (Froelich,1999; Gronbjerg, 1993; Herman & Heimovics, 1989).

The significance of executive transitions will become more urgently felt as the large baby-boomer generation soon reaches retirement age. Based on U.S. Census Bureau estimates, more than 2.8 million people will reach age 65 in the year 2011; annual increases in those reaching age 65 will consistently rise for the next ten years, surpassing 4 million by 2020 (U.S. Census Bureau, 2008). Finding qualified, motivated leaders to fill all the vital executive positions vacated by this generation is going to present pressing challenges for many organizations, nonprofit and for-profit alike. The problem is likely to be more difficult in the nonprofit sector due to an apparent shortage of experienced executive directors in the job market (Allison, 2002; Tierney, 2006), lower salaries and lack of organizational infrastructure yet an increasingly demanding set of executive tasks (Tierney, 2006; Von Bergen, 2007), and related attributes that make nonprofit executive positions potentially less appealing to upcoming Generation X and Y future leaders (Kunreuther, 2003; Von Bergen, 2007).

Considering both the central role of executive leadership in nonprofit organizations and the anticipated surge of leadership transitions, this research project focuses on planning for executive succession. Following a review of relevant management succession literature, we describe our study methodology that draws empirical data on management succession from a survey of charitable nonprofit and cooperative organizations. Descriptive statistics relative to perceived importance and extent of succession planning, and executive search process details are presented, including comparison of results from the charitable nonprofits with cooperative organizations. We close with discussion of implications of the findings and suggestions for managing executive succession in nonprofit organizations.

Planning for Executive Succession

Succession planning has received extensive attention in the for-profit business literature, emerging from concerns surrounding the defining event of chief executive transition (Beatty & Zajac, 1987; Brady & Helmich, 1984; Dalton & Kesner, 1985; Kesner & Sebora, 1994; Lynn, 2001; Vancil, 1987). The notion of succession planning spans a range from any efforts to plan for top management succession to an expansive view of systematic internal talent development. For example, Huang (1999) defines succession planning as "any type of formal rules or procedures in arranging for managerial succession". Alternatively, Rothwell (2001, pg. 6) defines succession planning as "a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement." This view clearly encompasses more positions than that of the chief executive, and implies an ongoing program of individual leadership development throughout the organization. This comprehensive approach is tied to strategic human resources management (Kesner & Sebora, 1994), leadership development (Bernthal & Wellins, 2006; Groves, 2007), and beyond to overall workforce planning (Kiyonaga, 2004).

Activities included in succession planning vary both with the breadth of perspective and in formality. A basic technique entails identifying in advance the specific subordinate best suited to serve as the next chief executive; a similar but somewhat more involved method is maintaining a ranking of several individuals within the organization. The two approaches have evolved into colorfully named tactics of "relay", where an heir apparent is groomed for the top executive role, and " horserace", with multiple internal candidates essentially competing for the post (Vancil, 1987). At the other end of the spectrum are the more complex and inclusive plans. These entail multiple steps, including re-evaluating job descriptions, gathering appraisal data regarding potential candidates, formulating career goals and developmental plans for potential successors, and taking these same steps for all key management positions, ultimately making selections from the cultivated pool of candidates (Lynn, 2001). The latter process can be viewed as almost overbearing, contributing more to bureaucratic practices than effective identification of succession candidates. However, some level of succession planning is important, with succession plans associated with higher organizational performance via smoother transitions (Friedman, 1986;

Giambatista, Rowe, & Riaz, 2005). Accordingly, an intermediate level of effort towards succession planning rather than the complete range of activities is to be expected for most organizations.

Evidence suggests inadequate succession planning in many organizations (Ip & Jacobs, 2006). Impediments to succession planning cover a wide range of issues, from other work/time demands and a need for performance management, to reluctance to provoke organizational politics, to inadequate awareness or even basic foot dragging on the part of top management and/or board of directors. Smaller organizations especially may perceive a lack of resources (monetary, time, expertise) to devote to succession planning, as well as thin ranks of internal talent and limited opportunity for grooming a successor (Ip & Jacobs, 2006).

Executive Succession in Nonprofit Organizations

Observers and participants of the nonprofit sector have reason for concern about the anticipated wave of retiring baby-boomers. Two recent surveys – one conducted nationally by the Annie E. Casey Foundation, and one in Philadelphia through the Nonprofit Center at La Salle University – both report an expected departure of two-thirds of the responding executive directors within a five year window (Von Bergen, 2007). A prior survey of 2000 executive directors by CompassPoint Nonprofit Services (Peters & Wolfred, 2001) and recent follow-up (Bell, Moyers, & Wolfred, 2006) found three-quarters of respondents planning to leave their positions within five years. Allison (2002) cites another study by CompassPoint indicating only 20% of departing executive directors stating a preference for another job as an executive director (Wolfred, Allison, & Masaoka, 1999), suggesting that there are problems beyond employee turnover in a mobile workforce.

A provocative prediction that 640,000 new nonprofit executives will be needed within the next ten years (i.e., more than 60,000 per year!) is the result of a multi-faceted study of leadership requirements in U.S. nonprofits conducted by the Bridgespan Group (Tierney, 2006). This estimate extends beyond replacement of retiring executive directors by also factoring in the growth in number, size, and complexity of nonprofit organizations, resulting in need for deepening of the management ranks. The supporting rationale is an interesting convergence of both supply (reduced due to the demographic reality of a smaller age cohort following the retiring baby-boomer generation) and demand, noting strong growth rates across all types and size ranges of nonprofits, with predicted increases in activity due to ascendance of social entrepreneurship, corporate social responsibility, and even anticipated charitable bequests upon death of members of the huge baby-boom segment.

An equally engaging article by Johnson (2009) in response to Tierney's predictions about the nonprofit "leadership deficit" argues that a combination of market adjustments (increased labor force participation of older workers, skill acquisition by younger workers, migration of workers from other sectors) and organizational adaptation (consolidation, higher executive pay, greater reliance on board and volunteer expertise, venture philanthropy) will moderate the impact of upcoming baby-boom retirements. Recent severe trends in the economy support labor market adjustment factors, with delayed retirements due to substantial losses in retirement account values, lack of job growth in the for-profit sector limiting alternatives for younger workers, and corporate layoffs which facilitate migration of experienced employees looking for new positions. Present economic conditions with the unemployment rate in the U.S. hovering around 10 percent may mitigate or at the least delay a serious leadership crisis in the nonprofit sector.

However, nonprofit sector realities complicate organizational adaptation to widespread executive turnover. To the extent the sector is consolidating, an elaborated executive infrastructure and broader set of specialized skills is required to manage the larger and more complex organizations, increasing the number of needed executives within each organization. With average salaries generally lower than in for-profit firms and many comparable government positions, attracting experienced candidates from the other sectors will remain a challenge (Tierney, 2006; Vinokur-Kaplan, 1996). Moreover, a focus on funding direct program expenses rather than management "overhead" tends to keep a lid on nonprofit salaries and general administrative costs (Tierney, 2006; Von Bergen, 2007). The less experienced younger workers may find nonprofit organizations unappealing due to a variety of characteristics including lack of technology or other tangible amenities, and task overload making responsible positions too consuming to maintain desired work-life balance, on top of the reality of lower salaries in the face of the sizable student loans of this generation (Kunreuther, 2003; Solomon & Sandahl, 2007; Von Bergen, 2007). That venture philanthropists will pump significant resources into organizational infrastructure is an unlikely scenario for the foreseeable future given the sustained economic downturn. Finally, the transient nature of the overwhelmingly volunteer boards of directors (McFarlan, 1999) combined with increasing complexity of both the external and organizational environments (Brown, 2007) intimates that reliance on the board or other volunteers as a substitute for managers is a tenuous solution. In fact, the increasingly prescribed and prevalent policy governance model, whereby the board of directors focuses on policy while the nonprofit executives manage with greater autonomy via explicitly delegated authority (Carver, 1990; Carver & Carver, 1996), runs counter to this view.

We believe that an upcoming wave of leadership transitions will prove problematic for a substantial number of nonprofit organizations. The above-mentioned barriers to recruiting from outside the sector are likely to persist. Yet recruiting top executives from outside the sector is not universally embraced anyway, considering the key role of the chief executive in establishing and protecting organizational values (Selznick, 1957), the elevated role of values in the nonprofit mission, and the differing value orientations of for-profit, government, and nonprofit organizations (Bush, 1992; Jeavons,1992). One pragmatic article cautions nonprofit board members from the business world: "don't assume the shoe fits", since "governance of nonprofits can differ dramatically from the governance of businesses" (McFarlan, 1999, pg. 65), especially regarding mission and performance measurement, leadership, and board interactions. Such advice is even more important for the nonprofit's executive director. In view of the top executive's pivotal position for achieving organizational goals (Herman & Heimovics, 1990; Sherlock & Nathan, 2007) and having pervasive impact throughout the organization (Kesner & Sebora, 1994), informing and guiding the board (Fletcher, 1992), serving as the face of the organization (Hambrick & Mason, 1987) while providing momentum to the frequently thinly staffed operations in the nonprofit world (Newman & Wallender, 1978), having a solid grounding in the traditions of nonprofit work is of great value.

Looking internally for successors is unlikely to yield sufficient numbers of qualified candidates in nonprofit organizations. Realizing the small size of the majority of nonprofits, very typically an organization cannot support even two top level managers. Tierney (2006) reports that while for-profits average 60-65 percent of senior managers hired through internal promotions, the average is only 30-40 percent in nonprofits. With both external and internal labor markets presenting obstacles for management succession, nonprofit organizations should plan carefully to avoid their own leadership deficit.

Due to size constraints and lack of resources for internal leadership development, advice for succession planning in nonprofits generally centers on careful search outside the organization (Santora, Caro, & Sarros, 2007). Targeting non-traditional labor pools including near-retirees, veterans transitioning out of military service, and more diverse groups has been suggested (Tierney, 2006). Seeking out women managers, a growing segment of the workforce that also has high representation in nonprofit organizations, offers promise; similarly, graduates of the many new nonprofit management programs may jumpstart future leaders (Johnson, 2009). Of course, internal candidates should not be overlooked. Their experience and knowledge of the organization, its players and environment provides continuity and significant value; their more intimately known track record compared to outsiders is another advantage in the selection process (Chung, Lubatkin, Rogers, & Owers, 1987; Kotter, 1982; Santora, 2005). The increasing cost of external searches is another consideration (Rothwell, 2002; Tierney, 2006).

Both the board and the current executive director play major roles in the management succession process, including planning for, recruiting, and developing future leadership (Dalton & Dalton, 2007; Giambatista, Rowe, & Riaz, 2005; Tierney, 2006). Conscientious planning can help the organization maximize existing opportunities in view of all the challenges involved. Studies have suggested that many nonprofit boards do not regularly engage in long-term planning generally (Stone, 1990), while such planning is associated with greater organizational effectiveness (Bradshaw, Murray, & Wolpin, 1992). Evidence more specifically suggests that few nonprofits do anything towards succession planning (Ip & Jacobs, 2006; Von Bergen, 2007). Where succession planning systems are in place, organizational leaders frequently do not rate them highly in terms of effectiveness (Bernthal & Wellins, 2006). A revealing study of 28 nonprofit executive transitions identified three specific problems with the board's approach to the succession process: underestimating the risks and costs of bad hires, being generally unprepared for the succession management tasks, and basically looking at the glass being half empty rather than half full – focusing more on the problems of hiring a new CEO rather than the opportunities presented by the transition (Allison, 2002).

To further advance our understanding of succession planning in nonprofit organizations, this research project investigates succession planning in a sizable sample of charitable nonprofits and cooperatives. Details of the perceived importance and extent of succession planning, as well as obstacles and perceived effectiveness are examined.

Study Methodology

A questionnaire was designed with assistance of experts from both charities and cooperatives, two prominent yet distinct types of nonprofit organizations, and piloted with a select group leading to revisions prior to broad distribution. The survey was sent to executive directors/CEOs of 800 charitable organizations (tax exempt under Internal Revenue Code section 501(c)3) and just under 800 cooperatives (section 501(c)4) in two Midwestern states. The sample of charitable nonprofits was drawn from organizations that submitted IRS 990 Returns, available from the Internal Revenue Service Business Master File from the National Center of Charitable Statistics at the Urban Institute. We used a two-stage stratified random sample. First, we divided the sample into two groups, those with total assets above $1million and those between $100,000 and $1 million. (The list of organizations below $100,000 was incomplete, with spotty data; thus we limited our attention to those above $100,000.) Next we drew a systematic random sample to proportionately reflect the distribution of organizations across NTEE categories for each state. The cooperative organizations in our study comprise all credit unions, electric cooperatives, and farm supply and grain marketing cooperatives in the two states. Contact information was drawn from the National Credit Union Administration, state directories of electric cooperatives, state database for agricultural cooperatives, and membership list for state association of cooperatives.

Full data analysis is unavailable at this date, with only the first wave of survey responses completed. Returned questionnaires up to now total 246, from 106 charitable nonprofits and 140 cooperatives, for an overall interim response rate 15%. We focus here on initial descriptive statistics due to the early stage of this work, and notable differences in findings between the charitable nonprofits and the more profit-oriented cooperative organizations, which may have a more business-like stance with respect to succession planning.

Preliminary Findings

Table 1: Size of sample organizations

	Charitable nonprofits		
Cooperatives			
FTEs (frequency)			
≤ 5	39%	*61% < 20*	14%
6-9	12%		13%
48%			
10-19	10%		21%
20-29	6%		12%
30-49	7%		12%
50-99	9%		16%
100-199	6%		6%
≥ 200	9%		5%
No answer	2%		0%
Total revenue (frequency)			
≤ $100,000	8%	*58% < $5M*	6%
$100,001 - $1,000,000	22%		16%
29%			
$1,000,001 - $5,000,000	28%		7%
$5,000,001 - $25,000,000	12%	16%	28%
40%			
$25,000,001 - $50,000,000	4%		12%
$50,000,001 - $100,000,000	1%		7%
$100,000,001 - $250,000,000	4%		9%
$250,000,001 - $500,000,000	5%		4%
≥ $500,000,000	13%		9%
Do not know	4%		3%

The frequency distribution above shows both types of nonprofit organizations to be relatively small, mainly with 30 or fewer full time employees (FTEs) and less than $50 million annual revenue. Differences identified throughout Table 1 show the cooperatives in the sample as somewhat larger both in terms of employees and total revenue.

Table 2: Importance and extent of succession planning

	Charitable nonprofits		Cooperatives	
Relative to other strategic planning areas, importance of succession planning (frequency on 1-5 Likert scale; 1 = not at all important, 5 = very important)				
1	2%		3%	
2	6%		4%	
3	12%		14%	
4	*36%*	*70%*	*33%*	*72%*
5	*34%*		*36%*	
Do not know	10%		11%	
Succession planning activities undertaken (frequency)				
Discussed general topic at board meeting	61%		60%	
Developed emergency succession plan	23%		31%	
Developed formal plan for CEO transition	*18%*		*16%*	
Reasons for conducting succession related activities (frequency)				
Continuity of business activity	91%		87%	
Improve or maintain financial performance	51%		58%	
Reduce employee turnover	21%		24%	
Current CEO has qualities difficult to replace	*47%*		*26%*	
Adapt organization to changing environment	30%		34%	

Respondents from both types of nonprofits largely (≥ 70%) report succession planning as important. Despite the perceived importance, very little beyond general board discussion appears to be going on in these organizations. Less than 20% of responding organizations have developed a formal plan for CEO transition, and most do not even have an emergency succession plan. This is interesting in view of the association of succession planning with organizational continuity and financial performance. Also interesting is that charitable nonprofits surpass cooperatives in formal planning for CEO transition, considering their more limited resources that often complicate planning. Analysis above suggests the charities' realization of uniquely valuable attributes of their chief executive which may require such planning for successful transition.

Table 3: Current chief executive

	Charitable nonprofits		Cooperatives	
Tenure of current chief executive (frequency)				
≤ 6 months	2%	7%	1%	5%
6 – 11 months	5%		4%	
1 – 3 years	14%		11%	
4 – 6 years	17%		20%	
7 – 10 years	17%	*61% ≥ 7 yrs*	17%	*64%*
11 – 20 years	27%		25%	
≥ 20 years	17%		22%	
Do not know	1%		0%	
Time to current chief executive retirement eligibility (frequency)				
0 – 4 years	*32%*		*28%*	
5 – 9 years	21%		26%	
≥ 10 years	*42%*		*43%*	
Do not know	6%		3%	
Likelihood of chief executive turnover in next 2 years (frequency on 1-5 Likert scale; 1 = not at all likely; 5 = very likely)				
1	20%		22%	
2	47%		44%	
3	11%		14%	
4	8%	*19%*	9%	*18%*
5	11%		9%	
Do not know	3%		2%	

Findings reveal a high percentage of responding organizations with relatively long tenure of their current chief executive. However, a sense of urgency about looming executive turnover is not displayed. We should note that the study was conducted in 2009 in the midst of an economic recession with high national unemployment and significant investment portfolio losses, both of which may temper thoughts of seeking new employment opportunities or taking retirement.

Table 4: Board efforts and performance regarding executive leadership

	Charitable nonprofits	Cooperatives
Performance of board regarding chief executive-related areas (mean; 1-5 Likert scale, 1 = not at all well; 5 = very well)		
Strategic planning	3.3	3.3
Evaluating the chief executive	3.6	3.5
Managing chief executive compensation	3.5	3.4
Planning for executive succession	*2.5*	*2.7*
Identifying external chief executive candidates	*1.5*	*1.9*
Identifying internal chief executive candidates	*2.2*	*2.4*
Interviewing chief executive candidates	1.9	1.9
Effort within activities undertaken to develop internal candidates for chief executive (mean; 1-5 Likert scale; 1 = none at all; 5 = a great deal)		
Mentor key people	3.1	3.4
Annual performance evaluations for key people	3.2	3.7
Cross-training or job rotation for key people	2.7	3.2
Interaction of key people with stakeholder groups	3.2	3.6
Professional development/training of key people	3.2	3.6
Identify employee for chief executive backup	2.8	3.1
Develop and communicate career paths	2.3	2.7
Develop organizational skills inventory	2.2	2.7
Formal plan for developing core competencies	2.2	2.7

Analysis of the data shows relatively poor board performance of succession planning overall in both types of nonprofits, and even lower performance of specific activities including identifying chief executive candidates (especially external) and interviewing candidates. Efforts taken to develop internal candidates do not appear extensive, but somewhat more prevalent in the cooperative organizations.

Table 5: Executive search parameters

	Charitable nonprofits	Cooperatives
All else equal, preferred type of candidate for future chief executive (frequency)		
Internal candidate	*46%*	*48%*
External candidate	11%	16%
It doesn't matter	15%	16%
Do not know	25%	17%
No answer	2%	3%
Are there viable internal candidates for future chief executive? (frequency)		
Yes	8%	9%
No	*63%*	*66%*
Do not know	29%	25%
Ranking of external chief executive candidate background		
Candidate from nonprofit organization	*1*	2
Candidate from cooperative organization	2	*1*
Candidate from business organization	2	2
Candidate from government sector	3	3
Anticipated time for chief executive search process (frequency)		
< 6 months	*57%*	*61%*
6 – 12 months	37%	36%
13 – 18 months	4%	1%
≥ 19 months	1%	1%
Do not know	2%	1%
Likely scope of chief executive search (frequency)		
Internal	15%	11%
Local	15%	8%
Regional	*35%*	*52%*
National	16%	16%
Do not know	19%	13%
Likelihood of using executive recruiting firm (mean; 1-5 Likert scale, 1 = not at all likely; 5 = very likely)	2.2	3.2
Previous use of executive recruiting firm (frequency)		
Yes	*22%*	*48%*
No	75%	49%

A clear preference for internal candidates is displayed in both types of nonprofit organizations. Ironically, a low probably of finding an internal candidate is also evident. For external candidates, respondents prefer individuals from a like organization, either charities or cooperatives, respectively. Lower in preference is for-profit business background, and candidates from the government sector are least preferred, which would be interesting to further explore. In spite of lack of planning and other obstacles, respondents anticipate a relatively short and largely regional search process, with charities somewhat more likely to rely on internal or local searches than cooperatives, and substantially less likely to use an executive recruiting firm.

Summary and Future Directions

Preliminary results show charitable nonprofits and cooperatives to be surprisingly similar, given the strong sales and profit orientation of the latter. The cooperatives in the sample are somewhat larger and more likely to plan and use executive recruiting firms.

Both types of organizations see succession planning as important, yet are doing relatively little about it. Both report relatively long tenure of their current chief executive but counter to dire predictions of Tierney (2006) and others, are absent the urgency of imminent executive turnover. Only about one-third of the organizations expect to lose their chief executive within the next four years, and less than 20 percent expect so within the next two years. Findings do not suggest anticipated difficulties replacing the chief executives, with over half the sample expecting a relatively short (less than 6 months) regional search process. The charitable nonprofits do note unique attributes of their current leader that will be hard to replace, and very low probability of using executive recruiting firms.

Relatively poor board performance is reported regarding succession planning in general and identification of external and internal candidates in particular. While internal candidates are preferred in about half the organizations, about two-thirds report no viable internal candidate. Moreover, extent and level of effort in leadership development activities was not high. Finally, organizations rather strongly prefer their next chief executive to come from a similar type of organization.

Much additional research is needed to better understand how to help nonprofit organizations successfully accommodate upcoming more widespread management succession. The reality is that many current executive leaders will leave the workforce in the coming years; even if later rather than sooner, evidence suggests that nonprofit organizations are not well prepared for this important transition.

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