TABLE *for* TWO

Can Founders & Successors Co-Exist So Everyone Wins?

www.Table-for-Two.net   by MARK LEACH

SUMMARY OF KEY FINDINGS

In most cases a graceful exit, in which the founder leaves the organization completely, is the most appropriate way for an organization to manage the transition from a founding or long-time chief executive. In many cases, the fears about potential problems if the founder stays are well-founded. Violating this conventional wisdom takes significant effort and invites some predictable risks.

However, the conventional wisdom about founder transitions has taken on the character of an absolute rule. Most boards, executives, and consultants do not seriously consider the potential benefits of having the founder stay on in a substantial role. Consequently, they overlook the considerable opportunities that are lost when they discard such a valuable asset.

There are situations where the value a founder brings to the organization makes it worth the risk and effort to find ways for the founder to stay on in a permanent role or to have a significant period of overlap with his or her successor.

Such situations can occur because:
- Many founding executives have a huge amount of talent, experience, wisdom, energy, institutional memory, and connections that could continue to be used in the service of their organization.
- Keeping founders more involved for longer periods may help organizations that have not developed adequate second generation leadership or succession plans to navigate the transition to new executive leadership.
- When faced with the choice of leaving completely or staying on as CEO, some founders may delay stepping down as CEO long beyond what is good for them or their organization. (This is especially true when inadequate retirement planning or an economic downturn makes retirement less possible.)

I'm very lucky. I can still pick up the phone and say 'Can you believe this or that?' and 'What would you do with this or that?' Our founder's very respectful that these are all my decisions now, and it's very clear to others that I make these decisions. But I get the benefit of all these years of experience without ever having to worry about her stepping on my authority or in any way giving people the impression that she's really the power behind the throne.

—Successor in new permanent role case

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In this study, the author examined in depth six cases in which the organizations decided that the costs and risks were outweighed by the significant organizational benefits. These organizations successfully experimented with bold, unconventional approaches to founder succession that allowed the founder and successor to productively co-exist in new, permanent roles or in a period of overlap much longer than is typically advised.

This study asks: **What factors enable a founding executive director to remain in his or her organization long after stepping down as CEO to the overall benefit of the organization and its mission?**

The results of this exploratory study indicate that while personalities do indeed play a role, **organizations that have successfully retained a founding leader in a new role have replaced the conventional "Graceful Exit" approach with a "Mutual Success" approach.**

MUTUAL SUCCESS MODEL FOR LEADER TRANSITION

The guiding concern in the Mutual Success model is how to maximize the use of the founder's assets for the good of the organization, while taking steps to guard against the very real pitfalls.

The Mutual Success model is based on the following assumptions:

- Under certain circumstances, two powerful individuals can co-exist in an organization, benefiting the organization as well as each person.
- The founder can share ideas without those ideas necessarily being accepted or acted on.
- The founder can tolerate the organization moving in directions she herself might not have chosen.
- Appropriate power flow and role boundaries can be maintained even if the founder remains with the organization.

CHALLENGES OF A MUTUAL SUCCESS TRANSITION

For Mutual Success transitions to work, all the principal actors (founder, successor, board of directors, and key staff) must determine that the organization would be better-off if the founder could stay. Having agreed to that, each actor embarks on the personal and organizational work necessary to make it happen.

Some of the common challenges faced by founders, successors, and organizations include:

For Founders
- Loss of power, control, and influence.
- Loss of connection and centrality; feelings of isolation.
- Emotional pain of letting go while still being embedded in the organization.
- Watching others make the critical leadership decisions.
- Facing the unchartered territory of a Mutual Success transition.

> *The most challenging thing was the sense of impotence. There are some things that would come across my desk, and I would immediately want to do something about it, and I realized I couldn't. It wasn't my call anymore. The sense of not being able to respond to a challenge or problem was the biggest drain. It was surprising. I didn't think it was going to be an issue for me.*
> —Founder in an extended overlap case

For Successors
- Preventing their own leadership from being undermined while respecting the founder's needs for inclusion.
- Managing the impact of the founder's ideas, influence, and judgments on themselves and other staff.
- Avoiding overdependence on the founder; learning to let go of the founder.

- Feeling constrained about the kinds of changes the organization can consider.
- Establishing their own relationship with the board.
- Setting formal limits on the founder's roles and authority.

> *The only way to make it easier was to give [our founder] more of what she wanted, which wouldn't have worked. This is hard stuff.*
> —Successor in a new permanent role case

For Boards of Directors
- Willing and able to say "no" to the founder.
- Being strong and stable enough to make a long transition that requires significant extra time and effort.
- Protecting the organization's authority boundaries; enforcing limits on founder's involvement and influence and removing them if the successor determines it is necessary.
- Managing the founder's impact on any strategic changes the organization needs.

> *The Board was initially very concerned about our founder's desire to stay on. Most Board members had been recruited by the founder and felt a real loyalty to her and wanted it to work for her and for the organization. We discussed if we should even go there, and in the executive session, we said 'let's be very careful about what we're doing.'…But we decided we were willing to get some outside consulting perspective on it and to see if something could work.*
> —Board chair in new permanent role case

For Staff
- Reducing dependency on the founder; letting the founder go.
- Conflicted feelings about loyalty.
- Concern that advocating for new ideas will be seen as implicit criticism of the founder.
- Confusion about who to go to for what kinds of decisions.
- Uncertainty about staff's own role.

> *People misunderstood how difficult it would be. Support for one looks like disloyalty to the other. We want to be excited for our new CEO but be respectful to and honor the old one.*
> —Senior staff in a new permanent role case

SUCCESS FACTORS

When asked why an unconventional founder succession worked, people commonly said, "It's a matter of personalities. We got lucky." While personalities do matter, the study found that these personalities were supported to behave constructively by a range of other contextual factors.

Mutual Success transitions appear to depend on five critical success factors:
1. An organizational situation that causes the board to conclude that the benefits outweigh the costs of the founder's continued presence.
2. Strong, capable founders and successors willing and able to subordinate their own personal needs and egos to the good of the organization's mission and sustainability.
3. The intentional creation of mutually reinforcing relationships of trust, cooperation, and shared commitment.
4. Governance and management systems that reinforce appropriate roles, authority, and hierarchy.
5. Organizational culture and values consistent with the mutual success of the founder and successor and with the specific transition plan of the organization.

In addition to the larger context, all parties involved must be willing and able to do the work needed to make such a transition effective.
- Founders must let go of old roles and actively strengthen the successor.
- Successors must fully assume the authority of their role as CEO and ensure that the founder's distinctive skills, experience, and contacts are put to the best possible use in the service of the organization.

- Boards of directors and staff need to be aware of the pitfalls of a founder staying on and help the founder and successor manage authority, roles, and hierarchy responsibly.

To have a Mutual Success transition that truly benefits the organization, the study found that founders, successors, and organizations each needed to possess particular characteristics that helped and did not inhibit the success of the transition, which is listed below.

Characteristics of Founders, Successors, & Organizations That Help or Inhibit Mutual Success Transitions

	Help	Inhibit
FOUNDER	• Centered and self-confident; manifested as ability to trust others to lead • Strong ego, but not egotistical • Willing to subordinate ego for good of organization • Disciplined speech; carefully controls which ideas and opinions to share with others • Demonstrated capacity to share power and give up control • Self-aware • Committed to learning and growth • Willing to experiment and take calculated risks • Believes the organization's success is result of joint efforts • Able to deal directly with conflict, (or knows how to use constructive, indirect methods) • Sees others success as contributing to their own • Has a life and commitments outside the organization	• Needs to be central • Puts own needs for centrality, status, or power above needs of organization • Holds unattainable standards and uses them to justify not delegating authority • Undisciplined speech; can't help but share what they think • Significant blind spots and little demonstrated capacity for acting on self-reflection or insight • Only confident when in complete control • Sees self as cause of all that organization has done well • Conflict averse; passive-aggressive or manipulative • Threatened by the success, contributions, or ideas of others • Has built entire life around the organization and has trouble seeing new possibilities outside • Is financially unable to leave top post • Not fully committed to stepping down; actively ambivalent (not just hesitant or scared)
SUCCESSOR	• Self-confident, manifested as ability to learn, share credit, and be patient • Strong ego, but not egotistical; able to maintain personal presence in same space as other powerful figure • Willing to subordinate ego for good of organization • Extremely competent and capable at managing the program • Recognizes own position authority and is willing to use it • Extraordinary people management and interpersonal skills • Willing and able to make demands of his board • Is well-known and trusted by founder and board • Comfortable with both ambiguity and uncertainty of future	• Sees self as dependent on founder for own continued success • Feels diminished/threatened in presence of another powerful figure • Needs to put own stamp on the organization whether it needs new direction or not • Will struggle to appear technically competent • Afraid to use own authority to set limits; over-use of group process for decision-making • Conflict averse; passive-aggressive or manipulative • Impatient; feels entitled • Values people primarily in instrumental way • Has little or weak preexisting relationship with founder or board • Desires certainty before acting

ORGANIZATION	
• Engaged, questioning board composed of independent-minded people willing to challenge the founder when necessary	• Board composed of members who mainly act out of loyalty to founder
• Strong, long-term relationship between founder and board chair	• Board lacks leaders willing and/or able to take on needed tasks of mutual success transition
• Culture of innovation and calculated risk-taking	• Weak or dysfunctional board-founder relationship
• Direct and indirect channels for communication and feedback	• Culture of imitation and playing it safe
• Leadership and staff development is an ongoing practice at all levels of the organization; has a pipeline for excellent internal CEO candidates	• Open communication and feedback is rare
	• Indirect communications take unhealthy forms (triangulation, coercion, manipulation)
• Culture of partnership and shared power, where founder is not central to all important activities and decisions	• Founder-centric culture; dependent staff and little shared leadership
• Staff delights in one another's success	• Staff development is rare; history of talented leaders leaving, because there's no room for them to exercise their competence
• Agreed-upon strategic framework	• Recognition is grudgingly given; turf is jealously guarded
• Capable, well-functioning senior staff with tradition of accountability	• Senior staff have jobs due to loyalty and longevity; shakeup would be needed for true accountability
• Internal and/or external situation which makes keeping founder worth the effort	• Benefits of founder remaining do not justify the effort and expense

INITIAL **QUESTIONS** TO **CONSIDER**

Before deciding to entertain or propose a Mutual Success transition, founders, potential successors, and boards of directors need to ask themselves some very tough questions and answer them with integrity.

For Founders

• When in the past have you demonstrated the personal characteristics and self-discipline needed to successfully remain in your organization when you are no longer the top dog?

• What would it take for you to tolerate the marginalization, loss of centrality and influence, and feelings of isolation that often comes with the territory?

• Have you built a life outside your organization that can be a focus for your leadership and personal energies if this transition doesn't work out?

• Have you ever demonstrated the ability to delegate or divest yourself of significant power, authority and control? How did that go for you and others?

• Have you built an organization that encourages leadership at multiple levels and where you are not central to all important activities and decisions?

• Is your board engaged and strong enough that they would tell you "no" if they think some of your desires for your transition are unreasonable? How have you responded when your board has set limits or said "no" to you?

• Can this organization survive, and possibly even do better with you completely out of the picture?

• When was the last time you voluntarily made an enormous change in an important part of your life? How did it go? What kinds of supports were you able to call on to help you through it?

[Our founder] can depersonalize things so he can deal with them in a strategic way. That helped us concentrate on the greater good and not make this about us, because it's not about us. You have to do this for the greater good right now. This can't be an emotional thing.
—Successor in new permanent role case

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For Successors

- Are you clear about what your formal power and role will be? Are you comfortable and confident in your ability to occupy that position with the founder still on the scene?
- Do you have the personal characteristics that seem to be key to Mutual Success transitions?
- Have you experienced being in a higher position than someone with many more years in the organization? How did you manage it?
- How well do you set and enforce limits and handle sensitive personnel issues?
- Are you willing to do what's needed to ensure the founder's skills, experience, and contacts are used to the maximum benefit of the organization?
- What is your communication style? How effectively do you handle difficult conversations with colleagues, bosses, and subordinates?
- In the past, have you been honest about what you don't know and sought out to learn from others?
- Are you committed to valuing individuals and their success? How have you demonstrated that?
- Do you have an existing relationship with the founder and key board members where they know and trust you well?

[Our successor] is a strong manager. He clearly says to the board, 'listen, just because the founder did it that way, does not mean I want to do it that way, and that is not necessarily how I want to be judged on this.'
—Board member in extended overlap case

I knew I could fire [the founder].
—Successor in new permanent role case

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For Boards of Directors

- Is there widely-shared agreement about the organization's goals, strategies, and needed institutional changes for the next 3–5 years?
- Is there an organizational imperative that causes the benefits to outweigh the cost of the founder's continued presence?
- Does the board challenge and disagree with the founder when they believe he is wrong? How often has the board influenced the course of the founder's decision-making in the interest of the organization?
- Does the organization share power and have a culture of partnership?
- What evidence is there that the board is prepared to take on the financial commitments, time commitments, and roles monitoring necessary to properly support a Mutual Success transition?
- Is power appropriately shared and distributed within the organization? Does it have an internal culture of partnership across levels?

Board oversight was a big help psychologically. It was really a source of comfort to me that I didn't have to manage this difficult relationship on my own. Although I never had to call on the Board to intervene, I knew I could.
—Successor in new permanent role case

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For Funders Who Wish To Support Executive Transitions

Founder transitions (whether of the "Graceful Exit" or "Mutual Success" variety) are costly and risky, and grantees need support through either one. Founders, board members, and consultants are all likely to contact funders at the early stages of a possible Mutual Success transition to get a sense of their openness to the founder staying on after stepping down as CEO.

After funders suspend their initial assumptions about the prospect of a founder staying on, they should consider asking the grantees and themselves some probing questions:

- What is the compelling organizational imperative for the founder to stay? Is there one?
- Has the board developed—or are they intending to develop—a transition plan with the mechanisms and

processes to address and implement the major success factors identified in this study?

- If the founder was the prime mover behind the transition plan, has the board done extensive due diligence on that plan, and are they strong enough to say "no" if the plan is not sound?
- Do the founder, potential successor (if one has been identified), the organization, and the board exhibit the characteristics necessary for a Mutual Success transition?

- If I, as a funder, support this transition, how do I manage my relationship with the new successor and/or board members?
- What would be the best way to support the transition? Some ideas for financial support include coaching for the founder, successor, or both; compensation and benefits for the founder to stay or leave if adequate retirement benefits haven't already been provided; and consulting services to help plan and execute the transition.

HOW TO **USE THE REPORT**

This Summary of Key Findings only provides an overview of the study and some important learnings. To help you explore key questions and deepen your understanding of how other organizations have implemented this model, please read the free download of the report at **www.Table-for-Two.net**.

In the body of the report, you will find:
- Ways to weigh the cost and benefits for the organization if a founder stays on.
- An integrated approach to manage the benefits and risks involved.
- Insights about the required success factors for such a transition.
- A broader range of options for the founder's continuing role.
- Common challenges, coping strategies, and recommendations for founders, successors, boards of directors, and staff.
- Recommendations for funders who wish to support executive transitions.

CONCLUSION

Mutual Success transitions are a high-wire act of devotion for all involved—devotion to the success of the founder, the successor, and most of all to the mission of the organization. Undoubtedly the approach demands a lot of time and discipline, and the risks and costs are significant. But for organizations that decide it is worth the inherent effort and risk, the benefits can be enormous. It can provide a rich capstone to a founder's career, a fabulous growth opportunity for the successor, and otherwise unattainable contributions to the organization and the larger field.

ABOUT THE **AUTHOR**

Mark Leach is a researcher and management consultant with a particular interest in strategy, leadership development and transition, and issues of diversity and inclusion in organizations. As a consultant and coach at the Management Assistance Group, he has worked with a range of social justice nonprofits and funders, primarily in the civil liberties, reproductive health, and environmental arenas.

Prior to joining the Management Assistance Group, Mark worked as a consultant and researcher in nonprofit and private-sector settings. His work has covered international development, inter-organizational collaboration, and diversity and inclusion in organizations. In the past twenty years, Mark has conducted his research and consulting at the Kaleel Jamison Consulting Group, the Institute for Development Research, and at John Snow, Inc. Mark's academic background includes a Masters in Public and Private Management from the Yale School of Management, and a Doctor of Business Administration from Boston University.

Mark's recent publications include "Organization Development for Social Change," in Cummings, T. (ed.) *Handbook of Organizational Development*, SAGE Pubs., 2008, co-authored with L. David Brown and Jane Covey, and "Changing Organizational Systems from the Outside: OD Practitioners as Agents of Social Change," in Jones, B. and Brazzel, M. (eds.) *The NTL Handbook of Organization Development and Change: Principles, Practices and Perspectives*, NTL Institute for Applied Behavioral Science, San Francisco, Pfeiffer/Wiley, 2006.

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