



The Monthly Publication of the Arts Consulting Group
October 2014

Leveraging Leadership Transitions: The Case for Professional Interim Management

Kathryn R. Martin, Vice President

Leadership transitions offer arts and culture organizations unique moments for self-reflection and *opportunity*. Few organizations, however, are prepared for the potentially damaging consequences of a leadership void. Many lack an understanding of how to *leverage* the leadership transition to create organizational clarity and focus, unparalleled visibility, and momentum through reaffirmed vision.

Strong Boards create organizational breadth and depth in planning for leadership succession. However, even when that time comes — particularly in situations where a sudden departure occurs — it is important for organizations to know what immediate steps to take in order to keep the organization moving forward. In an era of tight margins and challenging economic conditions, organizations must operate at maximum efficiency and stay front-of-mind to funders, audiences and the many stakeholders they serve to ensure success. Leadership voids place strain on even the strongest organizations.

The instability (or perception of instability) created by the departure of a senior leader can affect the financial bottom-line, including loss of contributed income. It can also disrupt momentum and tarnish the organization's relationship among key stakeholders when the leadership transition is not addressed thoughtfully. The intangible costs of a leadership void, whether planned or unplanned, coupled with the stress placed on the Board and staff, can take a toll that can create substantive challenges for both the organization and the successor who eventually takes the leadership role.

Leadership Transitions – Facing the Dilemma Head-on

While many Boards feel compelled to begin the executive search process as soon as a departure becomes a reality, others understand that time is required to evaluate both the organization's strategic direction, resources and leadership attributes necessary to reach its aspirational goals. In the arts and culture industry, Boards typically face one of three scenarios:

- 1) A long-serving executive, founder or president announces his or her retirement. Whether planned or unplanned, the organization may face challenges with stakeholders who are loyal to the incumbent or are concerned with how the organization will continue. When thinking about the next leader, the Board and staff are often only able to describe the desired characteristics and skill set in the context of wanting to find someone either "just like" the incumbent or "the opposite" of that person — or that somehow all of the strengths of the incumbent, but none of the weaknesses, will arrive with the successor.
- 2) An organization's leader resigns with little or no warning, or circumstances require the Board to terminate his or her employment. The sudden vacancy creates an immediate need for leadership to fill the roles and responsibilities of the position and maintain organizational effectiveness.

3) An organization's leader resigns to take a new position elsewhere with adequate notice but not enough time to perform an effective search to fill the role before he or she leaves. The planned vacancy allows the Board to assess its short-term and long-term needs to ensure a smooth transition.

There is no doubt that Boards face a dilemma: Whether to prioritize filling the vacancy immediately, possibly with an individual who does not have the leadership capacity or knowledge, *or* take time to reevaluate the needs of the organization, which could result in a lengthy leadership void.

Regardless of the cause, it is critical that organizations use this moment to look at everything from its community impact goals and vision to the resources and specific expertise the next leader must possess to help *achieve* that vision. Organizational culture and tradition, as well as job descriptions and staffing needs, must all be examined in the same context. To do that, organizations need time and expert leadership to address structural and emotional issues that come during times of transition.

Filling the Leadership Void — What the Arts and Culture Industry Says

What options do Boards take to fill these planned and unplanned leadership voids? In an Arts Consulting Group, Inc. (ACG) study¹ of more than 450 arts and culture organizations with CEO-level vacancies conducted during the early 2000s, results echoed what ACG experts throughout North America encounter on a regular basis. Almost 55% of all respondents indicated that the senior management executive gave (or was given) less than six weeks' notice before their departure — with one-third giving (or being given) less than two weeks' notice.

As reflected in the ACG study, arts and culture industry vacancies are typically met in the following manner:

1) The departing executive remains in the position until a successor is named. More than 25% of ACG study respondents reported this to be the case. Given that it takes approximately eight to 12 months to fill top leadership positions, this implies that the current executive may continue with the organization for much longer than anticipated. While the exiting leader's presence may offer a sense of stability, it does little to move the organization forward. Key decisions are postponed, major giving is often negatively impacted, and talking to stakeholders about investing in the future poses a challenge when the exiting executive is making donor solicitations. Without a leader in place to drive progress, create new initiatives and set goals, the organization may experience a decline in performance.

2) The Board taps internal resources to fill the leadership void, provisionally appointing an existing employee or Board member to serve in the vacant role. Approximately 40% of ACG study respondents reported this to be the case. While this reflects a desire of the employee or Board member to help their organization during a time of need, this decision does not always address the volume of work that must be achieved or the professional expertise required. The ACG study revealed that of the organizations that chose an existing staff member or board member to fill the interim role, 84% saw decreases in their contributed income during the period.

¹ "The Performing Arts in Transition: Executive Leadership on the Move." *Arts Insights*. Bruce D. Thibodeau, 2002. http://www.artsconsulting.com/pdf_arts_insights/insights_sept_2002.pdf

3) Motivated by the belief that vacancies save money, the Board leaves the position unfilled. Approximately 25% of ACG study respondents reported this to be the case. While the allure of cost savings is strong, the potential for an organization to lose momentum and descend into an institutional malaise is even stronger. The experience of ACG experts reflects that funders, similar to corporate stockholders, seek out organizations with managerial stability and superior leadership before investing or reinvesting. Leadership voids, therefore, increase the challenges inherent in fundraising.

4) The Board navigates the leadership transition by hiring a professional interim leader to serve in the vacant position, as approximately 10% of ACG study respondents reported. ACG distinguishes “professional interim leader” as an experienced professional that fills a role temporarily, is not a candidate for the full-time position, has nonprofit and/or cultural organization management expertise, and has led organizations through times of leadership transition. Frequently, the interim leader serves for six to twelve months while the executive search process occurs simultaneously. The professional interim leader guides all aspects of the organization, moving it forward while readying it for the successor.

In some instances, Boards are driven to quickly fill the leadership void without following best practices for executive search. Making a bad hire can cost an organization in both measurable (financial) and intangible (reputational) ways. For example, according to a 2013 CareerBuilder survey on the cost of a bad hire, 69 percent of employers reported that bad hires lowered their company's productivity, affected worker morale, negatively affected client relations, and even caused legal issues.²

Understanding Leadership Transition Dynamics

ACG experts across North America report common dynamics facing organizations during a leadership void, which professional interim leaders are trained to address.

Diminished Employee Engagement and Efficiency

On a day-to-day basis, the staff bears the brunt of a leadership transition. Fear of the unknown, closed-door meetings, probing questions from donors and audience members, slow decision-making that directly affects their jobs, and more frequent and direct interaction with Board members are only a few of the challenges that exist. In some organizations, the transition arrives after a long period of employees enduring negative or even caustic work environments. In the ACG study, one-fifth of total respondents saw higher than normal staff turnover during a leadership void.

Reduced Board Ambassadorship

Navigating a successful transition requires individual Board members to take a strong, active leadership role, communicating regularly with their peers and funders one-on-one. Questions about decision-making, executive search process and timelines, and financial or artistic stability during a transition come into play. Disparate goals and personal agendas — all arising from a keen desire to help — may be at odds with one another and create divisions in the Board.

External Relationships

An organization's executive leader serves a vital role in fostering positive relationships with stakeholders as well as government agencies, foundations, civic and community leaders, and the business sector. These key relationships, which are commonly fraught with challenges and require

² “More Than Half of Companies in the Top Ten World Economies Have Been Affected By a Bad Hire, According to CareerBuilder Survey.” May 8, 2013.

http://www.careerbuilder.com/share/aboutus/pressreleasesdetail.aspx?sd=5/8/2013&siteid=cbpr&sc_cmp1=cb_pr757_&id=pr757&ed=12/31/2013

stewardship, can deteriorate in the absence of leadership. External communication often declines during transitions, creating concern or ambivalence towards the organization.

Increased Organizational Risk

Annual campaigns, grant applications, yearly meetings, season announcements — the arts and culture industry is inundated with deadlines. Without strong leadership to ensure necessary work is accomplished when needed, and when stakeholders have come to expect it, opportunities will be lost and confidence undermined. Almost one-third of the ACG study respondents indicated that their contributed income decreased during the transition period.

Conclusion — Opportunities for Growth & Increased Impact

Transitions in leadership present singular opportunities for organizational strengthening. At these junctures, many organizations now look to professional interim leaders to increase revenue, enhance visibility, create consensus on desired future impacts, tackle challenging issues to achieve goals, and ensure that the mission is delivered — working closely with the Board and staff to prepare the organization for the new leader. Boards also call on interim leaders to provide fresh and objective perspective, create new dialogue in communities, and provide hands-on management of the organization as a whole.

Since professional interim leaders are not normally candidates for the vacant position, the discussions with board members can be frank, candid and objective. With clear goals for the transition articulated by the professional interim leader, employees express a renewed level of engagement and trust. Simultaneously, and with the luxury of time provided during the interim period, any organizational structures that may thwart the success of a future leader can be addressed. A professional interim leader thrives in this environment of visionary thinking and practical implementation, and takes pride in the permanent impact this temporary role can have on the organization, the Board, the staff, the artists and the community.

Creating a plan to navigate an organization through a leadership void can be done with confidence knowing that although every organization is unique, the varying internal and external dynamics of leadership transitions are actually common and understood by the professional interim leader, and can be one of the tools used to chart an organization's course to its next chapter.

Some of the most transformational moments for an organization may come when it is acutely aware of pressing issues and is not in status quo mode. Leadership transitions deliver these moments and can be leveraged. Though leadership transition may be a period of vulnerability and risk, it is also a time of new opportunities. Now more than ever, arts and culture organizations require non-stop delivery of value to those that they serve.

Kathryn Martin, Vice President at Arts Consulting Group, is an arts and culture management expert with more than 25 years' experience leading major arts and culture organizations and mentoring individuals. Since joining ACG in 2003, Ms. Martin has helped numerous organizations strategically move through periods of leadership transition and increase their earned and contributed income by bringing clarity and focus to their efforts. Based in San Diego, she is the lead of ACG's interim management practice and is currently serving in her seventh interim engagement as the Interim Executive Director of the Linda Pace Foundation in San Antonio, Texas.

**FOR MORE INFORMATION ON HOW
ARTS CONSULTING GROUP CAN HELP YOUR ORGANIZATION
MANAGE TRANSITION, PLEASE CALL US TOLL FREE AT**

(888) 234.4236