Leading for sustainability: an exploratory study of founder transitions in nonprofit organisations in the Western Cape

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COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature: | Signed by candidate | Date: 5 September 2019

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ABSTRACT

The sustainability of the nonprofit sector is vital to social development in South Africa. The sector plays a significant role in the provision of social protection and developmental services to the most vulnerable citizens of our country. Nonprofit organisations operate in an environment which is often complex, volatile and uncertain. With the increasing demand for accountability, sound governance and ever more creative fundraising models, leading and managing nonprofits has become particularly challenging.

Most nonprofits survive infancy because of the incredible passion and commitment of nonprofit founders, towards their unwavering belief in a social cause. Without their energy and charisma, the nonprofit sector would not be as influential and substantial as it is today. For an organisation to mature and increase its desired impact, the founder energy needs to be refined and combined with new skills that suit a larger and more effective organisation. However, if this does not happen, some organisations become dependent on the founder, causing risk of trauma, stagnation or demise, particularly when the founder moves on. Even where an organisation remains in operation, a founder transition may result in unnecessary damage to all stakeholders, if not planned and managed well. Founder transitions in nonprofit organisations has not been given the recognition in South African literature that it deserves. Therefore, the purpose of this study is to answer the question, "How do nonprofit organisations in South Africa experience founder transitions?"

In this study, an exploratory qualitative research design was used in order to gain a deeper understanding of the experience of founder transitions in nonprofit organisation. Based on a literature review on founder transitions and related succession planning and founder's syndrome in the nonprofit sector, the research questions and a research methodology were chosen. Ethics clearance was given by the University of Cape Town and a sample of 17 participants were selected to take part in the study by purposive sampling. The participants, all senior leaders in the nonprofit sector with experience of founder transitions, represented eight organisations in the Western Cape. The data was collected using a semi-structured interview schedule, and analysed using Tesch's (1990) steps of data analysis.

The contribution this study makes is to add to the understanding of the founder transition planning and management practices of South African nonprofit organisations, exposing both the opportunities and challenges experienced during the transition. The study makes a number of findings including: 1) the level of risk and challenge to nonprofit organisations during the founder transition is underestimated by their leaders, 2) nonprofit leaders feel they are ill equipped to manage founder transitions effectively, 3) founder transitions are a particularly emotional experience requiring relationships to be managed skillfully, 4) succession planning is a neglected risk management practice, impacting on the magnitude of the founder transition, 5) nonprofit founders and boards are not certain of their distinct roles during the founder transition, which can result in poor leadership and management of the founder transition, and 6) effective founder transitions constitute an additional cost to nonprofit organisations which should be budgeted for. Based on these findings, the study concludes with recommendations for nonprofit boards on how to improve the planning and management of founder transitions in nonprofit organisations.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

This chapter presents the motivation for and purpose of this research, by contextualising the problem and describing the rationale and significance of the study. The research study topic, research questions and research objectives are outlined, followed by an explanation of the main assumptions. The chapter ends with a clarification of the main terms used in this study.

1.2 Statement of the Problem

South Africa has a vibrant and valuable nonprofit sector, with approximately 200 000 registered nonprofit organisations (Gastrow, 2018b), that "make a significant contribution to the economic and social well-being of South Africans" (Statistics South Africa, 2017: 40). They also make an important contribution to the social development goals of the nation. The sustainability of the nonprofit sector in South Africa is therefore a critical issue. One of the significant moments of risk in an organisation is when its leadership transitions.

An executive transition, most notably that of a founder executive, is a time of particular risk and challenge for an organisation, and if managed effectively, can also provide an opportunity for positive growth and change. Executive leadership transitions are inevitable. Most research into the nature of executive transitions has focused on the for-profit sector (Mckee & Froelich, 2016). Keller and Meaney (2018) propose that high-level executive transitions are more important than most processes in a company. Kets De Vries (1988: 57) exposes the psychological and political nature of Chief Executive Officer (CEO) succession, highlighting several dynamics that arise for CEOs, board members and other senior managers, which offer an explanation as to why it is difficult for CEOs to embrace their succession.

Studies on executive succession in nonprofit organisations grew in the 1990s predominantly in the United States of America (USA) over a concern for sustainability (Adams, 2005: 21). It is generally accepted that the departure of any senior executive, particularly the founder, is a time of great stress and risk, with the potential to destabilise the organisation significantly. However, with due planning and preparation, it can present an opportunity for change and

renewal (Adams, 2005: 5; Wolfred, 2008: 3; Gothard & Austin, 2013: 273; Tuomala, Yeh & Milway, 2018: 32). Studies have focused on founder's syndrome, succession planning and more specifically, founder transitions in NPOs.

The succession of the NPO founder executive gained prominence because of the anecdotal evidence of 'founder's syndrome', a description used by Carter McNamara for an organisation that operates according to the personality of a prominent person, rather than its mission (McNamara, 1995: Founder's syndrome: how corporations suffer – and can recover). McNamara (1998: 39) further identified founder traits that could inhibit organisational growth, such as being crisis-driven, making decisions on their own, attending to fundraising and innovation, neglecting the development of administration structures and motivating by fear without knowing it.

The unique power and influence of nonprofit founders was explored in a survey research study conducted by Block and Rosenberg (2002: 366), revealing evidence that founders and nonfounders exhibit different behaviours and values, particularly regarding governance. The relationship between nonprofit boards and founders is also identified as a potential hindrance to healthy organisational growth (Bateman, 1991; Carver, 1992) and a contributor to founder's syndrome (Block & Rosenberg, 2002). Boards that over-rely on effective and/or dominant founders and fail to act in their role as governors in owning the vision and holding the founder to account, put their organisations at risk of collapse when the founder leaves (Carver, 1992; Adams, 2005).

Several study findings support the theory that founders use their position to influence the direction of the organisation, even to the organisation's detriment (Block & Rosenberg, 2002; English & Peters, 2011; Ceaser, 2017). Left undetected, founder's syndrome can have significant ramifications for succession planning, recruitment and capacity building (English & Peters, 2011:161). While the term founder's syndrome can be misleading with its focus on the founder (McNamara, 1995), the intention is to describe an unhealthy state of organisational functioning. This has implications for the founder transition and ultimately the longer-term sustainability of the organisation.

Studies on the succession planning practices of nonprofits reveal the different models used, and particular approaches when it relates to the founder succession. The debate over the superiority of appointing an insider vs an outsider continues (Elkin, Smith & Zhang, 2012: 44; Gothard & Austin, 2013: 275). Succession planning in nonprofit organisations is neither consistently addressed or applied in a uniform manner. Case studies of long term founders reveal efforts to address succession planning (Santora & Sarros, 2001b) while other study findings show that while nonprofit organisations are increasingly recognising the significance of succession planning before an executive leader's exit, few have formal plans in place to guide them (Santora, Caro & Sarros, 2007: 29; Wolfred, 2008: 3). Later research concludes that while nonprofit organisations continue to allocate minimal resources to traditional succession planning, they do engage in other types of activities that prepare them for executive transition (Mckee & Froelich, 2016: 597).

Succession of the founder can be further complicated by psychological and emotional issues. The intense difficulty experienced by founders in letting go of the emotional attachment to the organisation, their identity as founders or their sense of "power and control" (Adams, 2005: 6) can affect their ability to plan for transition or to develop the organisation sustainably (Santora & Sarros, 1995; Adams 2005).

A recent quantitative and qualitative study specifically on founder transitions in nonprofit organisations in the USA reveal findings that counter conventional wisdom, as well as confirming previous research. Tuomala, Yeh and Milway (2018: 29) found that an insider successor coupled with an extended founder role was the most successful founder transition model. Founder transitions where the board dismisses a founder were revealed as the least likely to succeed (Tuomala, Yeh & Milway, 2018: 28). The study confirms that organisations still struggle to manage founder transitions, and recommends four key steps in planning a founder transition: 1) develop talent internally, 2) discuss succession planning regularly, 3) address weakness in the board, and 4) budget for transition costs (Tuomala, Yeh & Milway, 2018: 32-33).

It is important for organisations to examine their founder transitions closely, in order that the substantial contribution founders make to the nonprofit sector is not lost (Adams, 2005: 4). The exit of a high-level executive and the process of leadership succession is acknowledged

as complex in nature, and the need for further investigation into transitions is critical to the sustainability of the nonprofit sector (Gothard & Austin, 2013: 272). While research on executive transitions in the nonprofit sector is growing (Mckee & Froelich, 2016), it is largely based in the USA.

In South Africa, there are references to the concern over founder's syndrome (Henry, 2018; Tyatya, 2018) and the importance of senior leadership succession planning (Julie, 2007; Henry, 2018) in the nonprofit sector. However, I have found no studies that have been conducted on founder transitions in nonprofit organisations in South Africa. While part of the existing body of knowledge is applicable, there remains a significant gap in knowledge about how South African nonprofits are managing their founder transitions and the context in which the founder transition process is located. There is a need to explore the particular challenges and opportunities experienced in the South African context, to learn from the experience of others and to identify areas for further research. It is therefore the purpose of this study to explore the experience of founder transitions in selected nonprofit organisations in the Western Cape.

1.3 Rationale and Significance of the Study

South African nonprofit leaders currently rely on literature, guidelines and founder succession management models, primarily from the USA. The South African context differs in many ways to that of the USA, considering that South Africa is a developing nation, underwent a significant political change as recently as 1994 and is still experiencing the challenges of socio-economic transformation. While there are similarities in the nature of nonprofit work across the world, we need to inform ourselves about the unique aspects to the South African NPO sector.

Without documenting the lessons and recommendations from South African organisations that have experienced founder transitions, we lose valuable local knowledge in this critical area. It is the aim of this study to identify the complexity of issues faced by leaders in South African nonprofit organisations in planning for and executing founder transitions, by interviewing nonprofit leaders who have experienced a founder transition. This study also aims to highlight questions for further research in this area that will be relevant to South

African nonprofit organisations and contribute to the local body of knowledge on nonprofit leadership and management.

Information gathered from this study will be useful to South African nonprofit organisations which are in the process of a founder transition, and particularly to founder-led NPOs that are yet to go through their founder transition. Nonprofit stakeholders such as government, NPO donors and nonprofit leaders alike will benefit from this study, in the development of capacity building initiatives and transition best practice models that can facilitate successful founder transitions. Ultimately the NPO beneficiaries will benefit from informed NPO leaders and more resilient organisations, as a result of this study. It requires a commitment of heart and resources from all nonprofit stakeholders to prioritise leadership succession planning when there are many pressing needs and pressures to address. Research on the cost of failed transitions will motivate the sector to manage this risk more conscientiously.

This study will contribute to the ability of nonprofit organisations to successfully lead and manage founder transitions, leading in an intentional and informed way from the formation of an organisation to founder transition and beyond.

1.4 Motivation

I have worked in the South African nonprofit sector for almost twenty years, and my own experience of the challenges of founder transitions motivated me to explore the topic further. Research can provide less biased and better-informed findings than only intuition and personal experience (Neuman, 2000: 17). It is therefore my intention that the findings of this study will contribute to an improved understanding and management of founder transitions and therefore to healthier organisational development.

1.5 Research Topic

The research topic for this study is:
Leading for sustainability: an exploratory study of founder transitions in nonprofit organisations (NPOs) in the Western Cape.

1.6 Main Research Questions

The main research question in this study is: How did nonprofit organisations (NPOs) manage their founder transition process?

The secondary research questions in this study are:

1. What kind of leadership succession planning systems and practices do NPOs have in place leading up to their founder transition?
2. What kind of founder transition management processes and practices do NPOs follow?
3. What are the main challenges experienced during a founder transition in NPOs?
4. What practices and conditions could contribute to a successful founder transition in NPOs?

1.7 Research Objectives

This study has five main research objectives:

1. To explore what knowledge and skills prepares NPO leaders (founders/board members and executive staff) for a founder transition process.
2. To examine the leadership succession planning systems and practices of NPOs.
3. To examine the founder transition management processes and practices of NPOs.
4. To determine the challenges of the founder transition process in NPOs.
5. To determine what practices and which conditions promote successful founder transitions in NPOs.

1.8 Main Assumptions

In this study I make the following assumptions:

- Nonprofit executive founders at some point in time are succeeded by a successor/s, for a variety of reasons, either voluntarily or involuntarily.
- Founder transitions in NPOs constitute a significant period of risk for which few organisations are adequately prepared.

- NPOs are largely dependent on their founders, smaller organisations more so than larger ones.
- Leadership succession planning is a critical aspect of NPO good governance.
- NPOs with good leadership succession management systems and practices in place are more sustainable.

1.9 Clarification of Terms

The main concepts used in this study are frequently referred to interchangeably in the literature, which can cause some confusion. For the purposes of this study, they are explained below:

Founder Succession: The handover of the founder's executive position to their successor/s.

Founder Transition: The process of planning, executing and consolidating the change from a founder-led organisation to the leadership of a successor. The process begins when it is confirmed that the founder is leaving or moving into a new role, and ending when the successor is working independently and the board, staff and funders' loyalty has transferred from the founder to the successor. This is both a psychological (Bridges, 2009: 1) and practical process.

Founder Executive: The founder who holds a top executive position, usually but not limited to the CEO or Executive Director.

Leadership Succession Planning: For the purposes of this study, Carlson & Donohoe's (2010) definition is used. They define leadership succession planning as the process of assessing and planning to meet the leadership skills and experience required in an organisation to ensure a smooth leadership transition. In particular this includes the transfer of "mission-critical operational knowledge and relationships the incumbents hold" (Carlson & Donohoe, 2010: 262).

Nonprofit Organisation: A nonprofit organisation (NPO) in South Africa is defined in Chapter 1 of the Nonprofit Organisations Act, Act No. 71 of 1997, as "a trust, company or other

association of persons, established for a public purpose; and the income and property of which are not distributed to its members or office bearers except as reasonable compensation for services rendered" (Republic of South Africa, 1997: 2).

This term encompasses the following terms also commonly used in South Africa to refer to nonprofit organisations: non-governmental organisations (NGOs), nonprofit institutions (NPIs) and community-based organisations (CBOs). The term used in this study assumes organisations are registered as NPOs with the Department of Social Development's (DSD) Nonprofit Organisations Directorate.

1.10 Summary

The experience of founder transitions in South African NPOs requires a more detailed exploration. This chapter introduced the research study by outlining the problem context of the research, as well the rationale behind and the significance of the study. The research study topic, questions and objectives were presented and the main concepts used in the study were clarified. The next chapter examines the review of the relevant literature and the theoretical framework underpinning the research topic.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, the literature relevant to the topic of this study is reviewed. The findings of the research that has been undertaken is summarised and gaps in knowledge that this study aims to address are identified. Three theories are thereafter identified and briefly outlined, namely Founder's Syndrome, Leading Change and Leadership Succession Planning. The concepts linked to all three theories and their applicability in this study are demonstrated, which provides a theoretical framework. This section concludes with legislation and policy documents which are relevant to nonprofit leadership, management and governance in South Africa, all key concepts relating to the topic of this study.

2.2 Review of the Literature

The South African NPO Sector

The nonprofit sector plays a critical role in South Africa. With a long history of anti-apartheid activism, the sector continues to make a vital contribution to socio-economic development and to redressing inequality in this country. The size and scope of the NPO sector is significant. While the latest official reported number of registered NPOs is 153 677 organisations (Department of Social Development [DSD], 2016), considering annual new registrations, current figures are likely to be closer to 200 000 (Gastrow, 2018b).

The NPO sector plays an important advocacy and lobbying role, engaging critically against injustice and promoting a society based on equality and non-discrimination. NPOs also partner with the state in providing essential social services to the poor, marginalised and vulnerable in South Africa (National Planning Commission, 2012) in accordance with the state's partnership approach to social development. NPOs also play a significant role in the economy through employment programmes (National Planning Commission, 2012: 27), and employing more people than the corporate sector (Ritchie, 2014: 2). In addition to formal jobs, hundreds of thousands of volunteers receive stipends and work experience, and millions of people are provided an opportunity to give of their free time (Ritchie, 2014: 2; Statistics South Africa,

2017). NPOs receive billions of Rands in income annually (approximately R35 billion in 2014 according to Ritchie, 2014: 2), primarily from government subsidies, grants, local donations and membership subscriptions (Statistics South Africa, 2017).

South African NPOs operate in a complex and challenging environment. Most organisations operate with a funding dependent financial model, resulting in fierce competition for scarce resources. Funders still prioritise programme spending over other essential organisational costs, such as staff development or operational costs (Gastrow, 2018a: Succession and resilience in the non-profit sector), having the unanticipated consequence of weakening the sector. It takes incredible passion, energy, commitment and creativity to thrive as an NPO.

Sustainability and Leadership Succession

The 21st century has ushered in an urgent focus on the issue of sustainability, on both macro and micro levels. While for-profit entities now commonly include social responsibility and sustainability practices in their business models (Schorr, 2011: 14), nonprofit organisations are taking a more holistic approach to organisation sustainability. The environment in which NPOs operate has also become increasingly complex, with a more rapid pace of change than ever experienced before, requiring NPO leaders and managers to "develop the capacity to successfully address the needs of a diverse and complicated world" (Renz, 2016: 744). It is therefore in the best interests of South African society that we work towards the resilience and sustainability of the NPO sector.

The National Council of Nonprofits in the USA, explains nonprofit organisation sustainability as the ability "to sustain itself over the long term, perpetuating its ability to fulfill its mission. Sustainability in the nonprofit context includes the concepts of financial sustainability, as well as leadership succession planning, adaptability, and strategic planning" (National Council of Nonprofits, 2019: Nonprofit Sustainability). This may require a greater commitment of time but it may also require a change in mindset around the value of spending on less 'attractive' budget items such as organisational development, for sustainability reasons.

Executive succession is recognised in the for-profit literature as critically important for organisational performance and sustainability, particularly in smaller organisations

transitioning from a founder (Kesner & Sebora, 1994). A CEO succession is identified as particularly significant because of the CEO's unique leadership position. Kesner and Sebora (1994) suggest that because of the extensive impact of a CEO, their succession can cause dramatic changes in a company. A CEO's job description tends to be idiosyncratic, and replacing such a position can be challenging. Wasserman (2003: 149) points to the CEO's key role in making strategic decisions, concluding that "the CEO of an organisation is a critical factor in its direction and performance."

The research on executive succession in the for-profit sector, covering the period 1960 to 2004, indicate that there is no general theory "for either the antecedents leading to leader succession or the impact of leader succession on performance and/or strategic change consequences" (Giambatista, Rowe & Riaz, 2005: 981). Rather, they suggest it is important to identify the succession conditions in which a particular theory may be applicable, such as succession theory, change theory, job-match theory or organisational theory (Giambatista, Rowe & Riaz, 2005: 981). The complex nature of succession as a significant change as well as the unique combination of circumstances of each organisation are implied. This body of research focused on large companies, making it difficult to assume the same results for smaller company succession (Wasserman, 2003: 149), or for nonprofits.

Kets De Vries (1988) highlights the often hidden psychological and political dynamics between the CEO, board and senior leaders that are revealed during a leadership transition. He insists that people can only manage what they understand and identify, and points us to the emotional and psychological "forces" that drive leaders during three distinct phases of the CEO transition (Kets De Vries, 1988: 57). Of particular relevance is his supposition that founders who consider a company as part of their identity and an extension of their personality, find it particularly difficult to let go (Kets De Vries, 1988: 57).

Founder Succession

Wasserman (2003: 149) identified the need for more research on specifically *founder* CEO succession in large companies. He highlighted the significant differences between the first succession event and one of a later stage: a greater level of attachment between the founder and firms they started, the larger equity and hence control held by the founder, many founders

remain in the firm after handing over the CEO position, and most founders are replaced by an outsider to the firm unlike in later stage succession.

Wasserman (2012) suggests that there may be some parallels between founder-CEO succession in the for-profit sector and in nonprofit organisations. Founders of nonprofits may "face the core entrepreneurial challenge of pursuing opportunity while having to gain control of necessary resources," similar to those in his research (Wasserman, 2012: 364). Nonprofit founders are also motivated by impact, which requires the raising of resources. Wasserman (2012: 364) questions whether the motivation of impact and control mirrors the motivations of wealth and control in the for-profit sector. Nonprofit organisations also require different leadership and management skills as the organisation grows, challenging the founder's ability to continue in the top position. Wasserman (2012: 364) suggests that nonprofit organisations may experience more intense challenges for founder succession because "founders may become even more central to their organisation than other founders do, more attached to them, and more identified with their missions, making it even harder to transition to a new generation of leadership."

While leadership succession has been widely researched in the for-profit sector since the 1960s, studies on succession issues in nonprofit organisations gained prominence in the USA in the 1990s, precipitated by the anticipation of a large number of exiting long-term and founder CEOs due to retirement (Adams, 2005: 21). Senior executive succession is recognised as a vulnerable time for organisations, full of anxiety and uncertainty (Farquhar, 1994: 42; Tuomala, Yeh & Milway, 2018: 26) but can also be a time of opportunity and innovation with planning and support (Adams, 2005: 5).

Leadership Succession Planning

Leadership succession planning anticipates the inevitability of leadership turnover. While the important role of succession planning is increasingly being recognised in the nonprofit sector, earlier studies showed it was an often-neglected practice (Santora, Clemens & Sarros, 1997: 112; Santora & Sarros, 2001a: 109). In their case study investigating succession practices of four CEOs of philanthropic foundations in the USA, Santora, Clemens & Sarros (1997: 112) found that none had a succession plan. These findings, although limited by a small sample,

were supported later in a survey of twelve community-based nonprofit organisations, where only four of the twelve CEOs had a formal succession plan (Santora & Sarros, 2001a: 109).

In their survey, Mckee & Froelich (2016: 591) examined the succession planning activities of 242 nonprofit organisations. Their findings suggested minimal succession planning in most NPOs, influenced by the "drive for continuity of current activities along with perceived difficulty to replace skill sets of long-standing chief executives" (Mckee & Froelich, 2016: 596). Elkin, Smith and Zhang (2012) suggest that under-resourced NPOs are likely to experience challenges with succession planning. However, organisations in Mckee and Froelich's (2016) study showed evidence of planning strategies and activities that contribute to succession planning, albeit not traditional succession planning activities, such as training and mentoring employees to ensure a broad range of skills within the organisation (Mckee & Froelich, 2016: 597). They concluded that it is inadvisable to assess NPO succession planning according to for-profit indicators and that succession planning in NPOs justifies a new framework, considering their unique characteristics (Mckee & Froelich, 2016: 598).

Founder Transitions

NPO management and leadership research has also focused specifically on nonprofit founders and the founder executive transition as a key leadership transition. Factors that influence founder transitions such as common characteristics observed in founders and the dynamics in founder-led organisations have been explored. Nonprofit founders are typically gifted entrepreneurs, visionaries and creative (Adams, 2005: 21). They are tenacious, mission-driven (Carver, 1992: 14), highly influential (Adams, 2005: 6), often charismatic and particularly energetic (Bateman, 1991: 13). In addition, founders commonly have a "highly reactive and individualistic" leadership style (McNamara, 1998: 38). While these traits and skills serve the purpose of pioneering an organisation, some founders are not able to make the transition to a more pro-active and consensus-building leadership style, required to establish administrative infrastructure as the organisation develops through its life cycle (McNamara, 1998: 38), and this becomes destructive to the organisation if the founder does not move on.

While the origin of the term founder's syndrome is unclear, it can be traced back to McNamara's (1995: Founder's syndrome: how corporations suffer – and can recover)

description of NPOs operating according to the personality of a prominent person (such as the founder) rather than its mission. The term is still commonly used today, perhaps not always fairly, to describe an NPO that is too dependent on its founder or where the founder is influential in an unhealthy way. While even McNamara (1995) considers the term misleading, with its suggestion that the founder is dysfunctional, the term means to emphasise an unhealthy organisation, with a myriad of possible dysfunctional processes and systems that put the organisation at risk of distress, stagnation or demise.

Bateman (1991) and Carver (1992) raised concerns about the development of dysfunctional relationships between founders and their boards. For example, the founder's energy, charisma and strong sense of vision dominating the board (Bateman, 1991:13), or boards acting as advisors rather than governors due to the position of the founder as initiator and original visionary (Carver, 1992:14). It is also challenging for a board to hold the founder to account, given the trust and respect they have for the founder, the person who also likely recruited them (Carver, 1992: 15). Such dysfunctional dynamics associated with the board and founder put the sustainability of the organisation at risk (Carver, 1992:15).

Adams (2005: 6-7) suggests several reasons why founders may find it difficult to leave, making a founder transition more challenging, such as the founder's:
- identity being in their work;
- fear of loss of position or power;
- confusion about what kind of change is needed;
- career uncertainty and not knowing what to do next;
- guilt at even considering leaving;
- fear of organisational demise without them;
- financial concerns for their future; and
- psychological or emotional reasons, needing to achieve or fearing a loss of control.

While founders are lauded for their ability to convert vision into reality for the common good, the anecdotal evidence of founder's syndrome motivated Block and Rosenberg (2002: 355) to examine any unique aspects of governance and management dynamics in nonprofit organisations led by founders. Their survey findings revealed that "the behaviours and beliefs of founders and nonfounders do differ" (Block & Rosenberg, 2002: 366).

Traditional models of governance appeared to facilitate a founder's control in an organisation (Block & Rosenberg, 2002: 365). Boards in founder-led organisations met less frequently than in other organisations, giving founders the opportunity to follow their own ideas. Founders also set the board agenda more frequently than non-founders, and reviewed the minutes, giving the founder the opportunity to influence the discourse of the organisation. In contrast, English and Peters' (2011) qualitative study of self-identified feminist nonprofit organisations identified the lack of traditional governance structures as a hindrance to more equal participation and a balance of power (English & Peters, 2011: 169).

Block and Rosenberg (2002) concluded that their study appeared to support the prevalence of founder's syndrome, which they defined as "the influential powers and privileges that the founder exercises or that others attribute to the founder" (Block & Rosenberg, 2002: 354). While it is assumed founders will become more egalitarian as the organisation grows, evidence showed it did not always happen. This was supported by English and Peters' (2011) study of nonprofit organisations with stated values of consensus and egalitarian styled leadership, as well as a case study of a nonprofit school with an "openly egalitarian community of practice ethics" (Ceaser, 2017: 459). This has implications for the preparation and planning of the founder transition.

English and Peters (2011) further explored factors that contributed to founder's syndrome, identifying certain values and ways of working in feminist NPOs that contributed to the reinforcement of founder's syndrome. The importance of "building relationships and maintaining consensus" inadvertently supported hierarchical relationships, and the dominance of a typically assertive founder (English & Peters, 2011: 165). A consequence of founder's syndrome is that the development of new leaders is neglected, and the issue of succession planning is not given adequate priority (English & Peters, 2011: 166).

Both Block and Rosenberg's (2002) and English and Peter's (2011) studies reveal evidence of the power and privilege a founder holds in an NPO, which has implications for leadership, succession planning and organisational growth in founder-led organisations and impacts the preparation and planning for the founder transition.

A critical question therefore is: How do nonprofit organisations approach their founder succession? Some founders insisted on choosing their successor in order to ensure a smooth transition (Santora & Sarros, 2001a: 109; Santora, Sarros & Esposito, 2014: 18). There are founders who promote themselves above the needs of the organisation in order to "preserve their legacy" (Santora, Sarros & Esposito, 2014: 19) and there are founders who, despite good intentions, have no capacity to plan for succession due to overwhelming demands and inadequate human and financial resources (English & Peters, 2011: 166). The range of findings on founders and succession issues suggests that generalisations cannot be made because they are simply "not all alike" (Santora, Sarros & Esposito, 2014: 19).

Allison (2002) emphasises the important role of the nonprofit board as leader of the founder transition. He suggests that if the board "is prepared, has an appropriate composition…and supporting players, and uses a process that is well designed," the organisation can in fact benefit from the process and become more resilient and purposeful (Allison, 2002: 341). Alternatively, Allison (2002) identifies three problem areas of governance that potentially threaten a successful founder transition, namely that boards underestimate the cost to the organisation of a "bad hire" to replace the founder, boards are often unprepared for their role in the founder transition, and boards do not make use of valuable opportunities for growth and change during a founder transition (Allison, 2002: 348-349).

In the most extensive and recent combined quantitative and qualitative study, Tuomala, Yeh and Milway's (2018) findings reveal valuable evidence on the nature of founder transitions in nonprofit organisations in the USA. Rather than focusing on founders, this study regarded the broader process of founder transitions. They found that more nonprofits chose a continuing role for founders within the organisation after their succession, than a clean break, meaning the complete exit of the founder. Most NPOs reported positive contributions by founders in their continuing roles, and nearly half of the NPOs that chose a clean break thought the transition would have been better had the founder played a role after succession. Most founder transitions were voluntary, with 24% termed involuntary on behalf of the founder. Transitions with the founder in a continuing role alongside an insider successor appeared to be the most successful transition model. In contrast, transitions where the board removed the founder were the least likely to succeed (Tuomala, Yeh & Milway, 2018: 28).

In brief, the findings show that "an extended founder role, when done right, can be the best path to maintain funder, board, and staff loyalty, while allowing the new leader to benefit from the founder's capabilities and knowledge" (Tuomala, Yeh & Milway, 2018: 28). However, the complexity and difficulty of transitions were acknowledged and the study concluded that many nonprofits continue to "struggle" with managing their founder transitions (Tuomala, Yeh & Milway, 2018: 32).

While extended founder roles within the organisations post succession may be ideal, Tuomala, Yeh and Milway (2018: 29) identified four conditions under which organisations could consider an extended role for the founder: (1) the founder wishes to and is capable of remaining, (2) the board clearly identifies the value in the founder remaining, (3) the founder is ready to play a different role and genuinely wishes for the successor to succeed, and (4) the founder is prepared to work with the successor. Central to the success of this model, is that both founder and successor "sublimate ego" (Tuomala, Yeh & Milway, 2018: 29).

The recommendations made by Tuomala, Yeh and Milway (2018) provide valuable insights into mitigating the challenges of a continued role for the founder, namely for the founder's new role to be restricted to areas of high interest and ability, for founders to journey with a coach for support in managing the practical and personal aspects of the transition, to anticipate conflict and agree on a conflict resolution process, to actively ensure the transfer of loyalty of the board, funders and staff to the new leadership and to ensure an initial separation between the founder and organisation to provide an opportunity for the successor to establish themselves as the new CEO (Tuomala, Yeh & Milway (2018: 29-31).

Well documented techniques of managing leadership transitions were identified as contributing to successful transitions, including: 1) starting to plan early, even years in advance, 2) developing internal successors, 3) creating opportunity for frequent interaction between the successor and the board chair, and 4) encouraging the board to participate actively throughout the process (Tuomala, Yeh & Milway, 2018: 29).

In conclusion, it is important to acknowledge that each founder transition is unique, and while there are common milestones in the process, "no simple recipe exists for founders seeking positive transitions (Adams, 2005: 17). However, it is incumbent upon us working in the NPO

sector to continue to explore the areas in which we can learn and improve. While the literature on nonprofit founder transitions predominantly comes from the USA, it is not possible to generalise to all nonprofits and particularly not to nonprofits in South Africa. Therefore, this study explores founder transition issues experienced in South African nonprofit organisations, that operate within their own political, cultural and socio-economic context, and to contribute to a local body of knowledge on nonprofit organisation sustainability, leadership and management.

2.3 Theoretical Framework

Three relevant theories guide this study. The first is the theory of founder's syndrome as described by McNamara (1995; 1998) and Carver (1992), which identifies a set of symptoms experienced in an organisation when it is dominated by the personality of a founder, instead of being guided by its mission. The second is the theory of leading change as described by Kotter (1996; 2002) and Kotter and Rathgeber (2006). The third theory is that of succession planning as described by Carlson & Donohoe (2010) and Wolfred (2008), who outline several approaches to succession planning relevant to nonprofit organisations.

Founder's Syndrome

McNamara (1995) used the term 'founder's syndrome' to name a set of symptoms commonly described by a group of founders of nonprofit organisations. Unsure of the origin of the term, he defines founder's syndrome as occurring when, "rather than working toward its overall mission, the organisation operates primarily according to the personality of a prominent person in the organisation, for example, the founder, board chair/president, chief executive, etc." (McNamara, 1995: Founder's syndrome: how corporations suffer – and can recover).

McNamara (1998) focuses on the typical personality traits and leadership styles of founders and their incompatibility with the second stage of the organisational life cycle. He identifies the shift from the entrepreneurial, high risk, chaotic first stage of growth to the formalisation of bureaucratic processes and structures, as requiring a significant leadership and management style adjustment for the founder (McNamara, 1998: 38). If founders are not able to make this shift, they impact negatively on the effectiveness of the organisation. McNamara (1998: 38)

identifies life-cycle change and a founder's inability to transition to the required leadership style as being the most vulnerable time for an organisation to succumb to founder's syndrome. Founder's syndrome can result in recurring problems, such as high board and staff turnover, inconsistent funding or being perpetually crisis-driven.

McNamara (1998: 38-39) identifies typical entrepreneurial personality traits of founders that enable them to take on the high-risk challenge of starting new ventures, but can also result in obstructing growth at a later stage, as they:
- tend to make reactive, crisis-driven decisions with little input from others,
- concentrate primarily on fundraising and innovating new ideas,
- value loyalty and accessibility and unconsciously motivate by fear and guilt,
- use staff meetings largely to report crises or to motivate the staff, and
- consider the board firstly as a source of fundraising and at times influence the board to remove members who disagree with them.

Founders and boards need to acknowledge that a founder with these traits may not be best suited to lead the organisation into the more bureaucratic stage of organisational growth, or assess that the founder needs to adjust, and can do so. McNamara (1998) suggests that personal leadership development is a key necessity for healthy organisation growth and sustainability. Founders in particular, can develop their leadership style according to the needs of the organisation, in order to facilitate organisation growth, and avoid founder's syndrome.

McNamara (1998: 39) describes the traits of a skilled/competent leader as one who:
- values planning and budgets as guidelines,
- bases proactive decisions on mission and budget availability,
- bases staff decisions on staff responsibilities, training and capabilities,
- values the board and staff for their expertise and feedback, and
- experiences strong credibility amongst stakeholders.

Another contributing factor to founder's syndrome is the personal and emotional circumstances of the founder, which may make it difficult for them to leave, even if they are not entirely suited to their position any longer. According to Wolfred (2008: 16), a founder's professional identity is typically tightly intertwined with the organisation, which makes it

difficult to leave and let go, whether consciously or unconsciously. Adams (2005: 6) notes other common challenges founders face when considering transition: fears relating to a loss of power and prestige, not knowing what to do next, feeling disloyal by wanting to leave, fears that the organisation will collapse, or being financially dependent on the organisation. A founder who does not address these emotional issues that surface when considering transition, can have a negative impact on the organisation.

However, it is also important to examine contributing factors to founder's syndrome, other than the founder themselves. McNamara (1995: Founder's syndrome: how corporations suffer – and can recover) suggests that the term founder's syndrome is misleading, as it focuses on the founder when the term describes "an organisational problem, not a personal problem." He stresses the critical leadership role of the nonprofit board, particularly in ensuring that the organisation is not dependent on any one person (McNamara, 1998: 40). Carver (1992: 14) also highlights how a weak board in founder-led organisations can effectively "find itself rubber-stamping the founder's wishes." As Drucker (1990: 178) concludes, a strong board is associated with organisation effectiveness, as the "rubber stamp will, in the end, not stamp at all when you most need it."

Carver (1992: 14) identifies as a challenge, the moment when the board makes the change from acting as advisors to the founder CEO, to taking ownership of the organisation as governors. This is more likely to be a challenge when board members have been recruited by the founder, and the vision is still largely that of the founder. This is commonly the case as board members join the organisation when it is formally constituted, after the founder has already invested considerable personal resources in making their vision a reality. It is a necessary step for the board to move into a governance role, which involves owning the vision for themselves, putting the organisation first, and honouring the founder, while at the same time holding them to account (Carver, 1992: 14).

Block and Rosenberg (2002: 354) were the first to search for empirical evidence of founder's syndrome, which they define as "the influential powers and privileges that the founder exercises or that others attribute to the founder." They suggest that the nonprofit organisation founder holds particular powers and privileges beyond what most people will ever experience. French and Bell (1999: 282) point out that power and politics are an

unquestionable part of organisational life, and should be understood "in order to be effective in organisations." While power is inherently neutral, the way in which it is used and to what end determine if it is positive or negative power (French & Bell, 1999: 283).

An understanding of founder-led nonprofit organisations and the dynamics between founders, boards and staff, as described by the phenomenon of founder's syndrome, informs the founder transition process.

Leading Change

The topic of change in organisations generated much interest in the 1990s amongst business leaders in the for-profit sector because of the significant emotional and financial cost of transformation efforts in organisations. Kotter (1996) developed a theory and method of creating major change, based on his experience of organisations' attempts at improving performance through change efforts such as restructuring, downsizing, mergers and acquisitions, cultural renewal and strategic redirection. Almost twenty-five years later, the need to manage change in organisations is even more relevant, as the effects of globalisation and technological advancements result in a rapidly changing environment to which organisations in all sectors need to adapt.

At the core of Kotter's (1996) theory is the proposition that transformation consists of two essential components: firstly, that it involves specific steps in a multistage process and secondly, that leadership is the driving force behind the process of change. He identifies an eight-stage process of successful change, which has been refined over time (Kotter, 1996: 21; Kotter & Cohen, 2002: 7; Kotter & Rathgeber, 2006: 130). The stages are:

1. Create a sense of urgency - it is necessary to help others recognise the need for change and the necessity to act immediately.
2. Pull together the guiding team - a strong influential group is needed to guide the change, with leadership and analytical skills, credibility, the ability to communicate, authority, and a sense of urgency
3. Develop the change vision and a strategy - the guiding team clarifies the future vision and how the organisation can make that future a reality.

4. Communicate for understanding and buy-in - ensuring that as many people understand and accept the future vision and strategy.

5. Empower others to act - identify and remove as many obstacles as possible to enable those wanting to make the vision a reality.

6. Produce short-term wins - creating some visible and obvious successes as soon as possible.

7. Don't let up - keep pressing forward after the first successes and relentlessly pursuing the vision by continuing to initiate changes.

8. Create a new culture - reinforce the new ways of doing things, ensuring they succeed until they have replaced old behaviours (Kotter & Rathgeber, 2006: 130).

The first four steps in the change process help *prepare people for change*. Stages five to seven *introduce new behaviours* and the last stage focuses on *reinforcing the changes* into organisational culture to make them sustainable. Depending on the size of the organisation and the nature of the change, organisations can be operating in several stages at once. However, skipping any step or moving too far ahead without solidifying previous steps is usually problematic (Kotter, 1996: 23).

Kotter (1996) identifies the nature of change as inherently messy. Successful change therefore requires specific and conscious leadership and management, guiding the organisation through the identified stages. Kotter (1996: 26) importantly highlights the distinction between management and leadership, suggesting that while both sets of skills are necessary in a change process, it is leadership that is key to facilitating successful transformation in organisations. It is the skill of leaders, the ability to inspire people towards a vision, that can overcome the resistance to change. "Transformation requires sacrifice, dedication, and creativity, none of which comes with coercion" (Kotter, 1996: 30).

According to Kotter & Cohen (2002), the heart of change is that "people change what they do less because they are given analysis that shifts their thinking than because they are shown a truth that influences their feelings" (Kotter & Cohen, 2002: 1). Leaders facilitating change need to consider the role of thinking and feeling, recognising that thinking differently helps change behaviour, but that feeling differently can change behaviour more effectively and therefore lead to more positive results (Kotter & Rathgeber, 2006: 132).

The transition of a founder executive leader in a nonprofit organisation, whether exiting the organisation, or moving into a new role, constitutes a profound change within the organisational structures and processes, as well as in the hearts and minds of the organisation's people. Understanding the nature of organisational change and knowledge of Kotter's (1996) theory of leading change provides leaders and managers in nonprofit organisations with valuable insights into how to lead and manage a successful founder transition.

Succession Planning

Carlson & Donohoe (2010) define leadership succession planning as the process of assessing and planning to meet the leadership skills and experience required in an organisation to ensure a smooth leadership transition. In particular this includes the transfer of "mission-critical operational knowledge and relationships the incumbents hold" (Carlson & Donohoe, 2010: 262).

Succession planning is therefore closely linked to the concept of sustainability (Adams, 2005:15), and at its core is an established risk management practice (Wolfred, 2008: 3). To ensure leadership continuity, it is necessary for "ongoing planning to inform the direction and leadership needs of the organisation" (Carlson & Donohoe, 2010: 257).

While succession planning has traditionally referred to the replacement of a key executive position by an individual, ideally developed and prepared from within the organisation, most nonprofit organisations do not have the "depth of expertise on staff" (Carlson & Donohoe, 2010: 259). Wolfred (2008: 3) provides common reasons why nonprofit organisations may not engage in succession planning: most nonprofit organisations are small and cannot fund more than one executive position; executives in larger nonprofit organisations avoid sharing their leadership role for fear of becoming redundant; nonprofit boards do not choose to apply the leadership and time required for succession planning; and funders may withdraw at the suggestion that the leader, with whom they have built relationship, may be departing.

Mckee & Froelich (2016) suggest that nonprofits do engage in activities that promote succession planning and should not be compared to the for-profit sector, for which the traditional approach to succession planning is known. Wolfred (2008: 3) discusses "alternative

models of succession planning designed particularly for nonprofits." Carlson & Donohoe (2010: 259) contend that a more systematic and integrated approach to succession planning, known as (leadership succession) planning, is emerging. Therefore, succession planning in nonprofit organisations should be considered in a broad sense, with organisations likely to make use of a range of succession planning models or approaches, depending on their circumstances and resources.

Carlson and Donohoe (2010: 258-259) note that empirical and anecdotal evidence show a number of positive features in nonprofit organisations that engage with the issues of succession planning, transition and continuity. These organisations:

- are more prepared to respond to organisation change,
- display a healthy partnership between the board and the CEO,
- enhance their vision and direction in a manner that influences the choice of incoming leadership,
- have more robust management systems that can be sustained during transition,
- are more skilled at managing the risk of leadership change as well as using it for opportunities, and
- are able to sustain the continuity of operations, income and relationships with stakeholders necessary for the fulfilment of the mission of the organisation.

The goal of leadership succession planning is to identify and prepare key staff who will provide continuity in both planned and emergency staff transitions and requires the organisation to "systematize knowledge, relationships and process" (Carlson & Donohoe, 2010: 259).

Carlson and Donohoe (2010: 259) identify the following three critical elements to successful leadership succession planning:

1. Key leadership staff and board members must be part of the initial planning and implementation so that discussions can happen openly and honestly under an umbrella of mutual trust. Leadership needs to have ownership of the process and a vision of the benefits.
2. Planning needs to balance the reliance on an individual's skill and expertise with the need for sustainable systems that allow organisation continuity of information, process, and relationships when the key leader leaves.

3. Given the competing demands on organisation time and attention, succession planning is achieved through integrating goals and outcomes into existing organisational or personnel performance systems and training.

Therefore, leadership succession planning, rather than being a once off event, can be a continual practice, embedded in the existing strategic planning and management structures of the organisation (Carlson & Donohoe, 2010: 260). In the same way, it "is not simply a stand-alone project or plan focused solely on leadership", but rather a process that ensures the continuity not just of people, but of systems, knowledge and relationships that are critical to the organisation's mission (Carlson & Donohoe, 2010: 266). This kind of succession planning builds resilience and can prepare the organisation for the founder transition years in advance.

Wolfred (2008: 4) outlines three approaches to succession planning, namely strategic leader development, emergency succession and departure-defined succession planning that are practical for nonprofits. Strategic leader development, similar to Carlson and Donohoe's (2010) leadership succession planning, is an ongoing process, defining the leadership and management skills required to reach the strategic vision and ensuring their internal development or external hiring (Wolfred, 2008: 4). Emergency succession planning refers to the action plan that will ensure the continuation of services and operations in the unplanned exit of key leaders (Wolfred, 2008: 4). Departure-defined succession planning is relevant when the long-term leader or founder's leaving is planned years in advance (Wolfred, 2008: 4). While these approaches may not be "mutually exclusive", they may be more appropriately applied according to an organisation's circumstances and stage of development (Wolfred, 2008: 4). There is always a form of planning one can do once an organisation has been constituted.

While all three succession planning approaches are relevant in preparing for a successful founder transition, Wolfred (2008) suggests that organisations approaching a founder or long-term executive transition with an idea of the date the founder is exiting "should seriously consider departure-defined succession planning" (Wolfred, 2008: 9). The departure date could be two or three years in advance, but at least eighteen months before the exit in order to give enough time to work through the psychological, emotional and practical steps of transition (Wolfred, 2008: 9). Working through issues of identity and letting go for the

founder, staff and board are profoundly relevant. The board takes on a critical role in overseeing preparations for leadership change, clarifying strategy and restructuring management roles.

Wolfred (2008: 3) contends that nonprofit organisations that do not prioritise succession planning may find that the stress of an executive transition destabilises the organisation or worse, results in closure. The practice of succession planning, in its various forms, but with the goal of developing leadership strength and skills to pursue the mission of the organisation, ultimately facilitates a successful founder transition. The theory of an integrated approach to succession planning provides a basic model for ensuring the sustainability of nonprofit organisations through leadership transition.

2.4 Legislation and Policy

This section outlines the legislation and policy that applies to this study. Relevant legislation includes the Nonprofit Organisations Act (Act No. 71 of 1997) (the Act) and the Codes of Good Practice for South African Non-Profit Organisations (NPOs) (Codes), issued in terms of the Act. The draft Policy Framework on Nonprofit Organisations Law issued in 2012 is also briefly discussed. Voluntary governance codes developed by both civil society and the private sector, namely the South African NGO Coalition Codes of Ethics for NGOs, the Independent Code of Governance for Non-Profit Organisations in South Africa and the King IV Report on Corporate Governance for South Africa are also outlined.

Nonprofit Organisations Act, Act No. 71 of 1997

The cornerstone of South African legislation governing nonprofit organisations is the Nonprofit Organisations Act, No. 71 of 1997. The stated objectives of the Act are set out in Chapter 1, point 2:

"The objects of this Act are to encourage and support nonprofit organisations in their contribution to meeting the diverse needs of the population of the Republic by-
(a) Creating an environment in which nonprofit organisations can flourish;
(b) Establishing an administrative and regulatory framework within which nonprofit organisation can conduct their affairs;
(c) Encouraging nonprofit organisations to maintain adequate standards of governance, transparency and accountability and to improve those standards;

(d) Creating an environment with which the public may have access to information concerning registered nonprofit organisations; and

(e) Promoting a spirit of cooperation and shared responsibility within government, donors and amongst other interested persons in their dealings with nonprofit organisation." (Republic of South Africa, 1997: 4).

The Act makes provision for the establishment of the Directorate for Nonprofit Organisations, responsible for, amongst other functions, developing and implementing policy (including codes of good practice), facilitating the voluntary registration of nonprofit organisations, and maintaining and improving the standard of governance within nonprofit organisations.

Most nonprofit organisations choose voluntarily to register with the Directorate for NPOs in order to attract funding, and are required to submit at minimum, constitution documents, and an annual return, including a financial and narrative report. In doing so they fulfil basic standards of transparency and accountability. There are also a number of South African voluntary codes setting out principles and best practices that are applicable to nonprofit organisations.

Codes of Good Practice for South African Non-profit Organisations (NPOs)

The Codes of Good Practice for South African Non-Profit Organisations (NPOs) was issued in 2001 by the Department of Social Development in terms of section (6)(1)(b)(I) of the Nonprofit Organisations Act, Act No. 71 of 1997. The Codes was developed in consultation with nonprofit organisations throughout South Africa, constituting a shared vision for best practice in leading and managing nonprofit organisations. The Codes is applicable to nonprofit organisations of all sizes and types, focusing on governance, administration, fundraising and the donor community. It provides guidelines for the advancement of the nonprofit sector, is voluntary and represents the only governance code developed in partnership between the state and civil society. The Codes highlights the responsibility of the nonprofit governing body to ensure effective organisational planning (DSD, 200: 11) but does not mention succession planning specifically.

Policy Framework on Nonprofit Organisations Law

The Department of Social Development released a draft Framework on Nonprofit Organisations Law (the framework) in 2012 at the South African Nonprofit Organisation Summit (Wyngaard, 2013: The Policy Framework on Nonprofit Organisations Law). The policy discussion document sets out a new regulatory framework "to promote transparency and accountability within the nonprofit sector without placing onerous requirements on organisations in response to challenges in implementing the NPO Act (DSD, 2012: 5). According to Wyngaard (2013), the new proposals in the framework oppose the theme of the NPO Act, with a greater focus on enforcing compliance than on supporting and encouraging an enabling environment for NPOs (DSD, 2001: 16). While the framework has not been widely discussed and remains in draft form, an awareness of its existence is necessary in order to constructively engage with the development of legislation and policy impacting the NPO sector.

South African NGO Coalition Codes of Ethics

During the dramatic changes of the first years of democracy in South Africa, the NPO sector (commonly referred to as the NGO sector at the time), experienced complex challenges, instability and demands on their resources. The now defunct South African NGO Coalition (SANGOCO), representing a significant number of NGOs, sought to develop strong, informed and effective NGOs through a self-regulated, voluntary code of ethics, so that the sector could make a significant contribution to redressing inequality.

The SANGOCO Code of Ethics of 1997 sets out core values and standards in the areas of governance, accountability, management/human resources, finances and resources (South African NGO Coalition, 1997). While it is a concise code, and is silent on the matter of succession planning, it sets a basis from which other voluntary codes have been developed.

The Independent Code of Governance for Non-Profit Organisations in South Africa

The Independent Code of Governance for Non-Profit Organisations in South Africa (Independent Code) is a culmination of work by representatives of civil society organisations

primarily in response to the lack of consultation with the sector by the King Committee in issuing the King III Report in 2010 (see below). The Independent Code, published in 2012, was written by the nonprofit sector to provide a widely-accepted code of governance for NPOs, thus advancing self-regulation rather than regulation by the state. It is also "reflective of the values and principles upon which non-profit organisations are established and the realities in which non-profits operate" (Rosenthal, 2012: iii).

Of particular relevance to this study, is the clear mandate for the NPO board to take responsibility for timeous succession planning, of the board themselves, the CEO and senior executives (Rosenthal, 2012: 13). The Independent Code however, does not provide any further guidelines or explanation on the practical implementation of timeous succession planning. Nonprofit organisations are invited to subscribe to the Independent Code's core values and principles and to follow its recommended practices, with an option to make a written commitment, albeit it voluntary.

King IV Report on Corporate Governance for South Africa

The first King Report on Corporate Governance (King I), drafted by the King Committee, was issued in 1994 by the Institute of Directors Southern Africa (IoDSA). It is a voluntary, internationally recognised guideline on best practice standards for good corporate governance, applicable to all companies in South Africa. At the time of the publication of the King III Report in 2010 (King III), concerns were raised from within the nonprofit sector about the applicability of King III to nonprofit organisations. Practice notes based on King III, contributions from individuals from the nonprofit sector and existing nonprofit sector codes, were subsequently published. The latest King IV Report (King IV), issued in 2016, addresses nonprofit governance in a sector supplement for nonprofit organisations.

The King IV supplement sets out the critical role of NPOs in society, and indicates how good corporate governance strengthens the leadership structures of an organisation, and provides for guidelines "by which the governing body should govern the NPO so that it is able to meet its strategic objectives" (King Committee, 2016: 87). King IV's "apply and explain" approach encourages governing bodies to consider the application of the report's principles in their

particular circumstance, instead of following them like "a set of rules blindly" (Institute of Directors, 2018: Understanding King IV and what it is intended to achieve).

Pertinent to this study, in the King IV's supplement for nonprofit organisations "leadership continuity through succession planning" is listed as one of the particular benefits that could result from the good governance of an NPO (King Committee, 2016: 87). Since the nonprofit sector has developed their own distinct governance codes embracing the unique aspects of nonprofit organisations, King IV provides valuable support.

Conclusion

The need for succession planning as good governance practice has become commonly recognised by the nonprofit and corporate sectors, where government nonprofit policy is currently lacking. As an important aspect of sustainability, succession planning requires more emphasis with practical guidelines if it to become common practice within the nonprofit sector.

2.5 Summary

This literature review outlined relevant research undertaken on succession planning and founder transitions in both the for-profit and nonprofit sectors. However, most of the nonprofit research has been conducted in the USA, revealing a gap in knowledge about how South African NPOs are experiencing founder transitions. Three theories which make up the theoretical framework of this study were explained and the relevant legislation and policy that governs the NPO sector was discussed.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter outlines the research design and methodology applied in this study. The research design refers to the strategy or plan used to find something out (Babbie & Mouton, 2001: 72) and is guided by the research questions. The research methodology refers to the "methods, techniques, and procedures that are employed in the process of implementing the research design" (Babbie & Mouton, 2001: 104), such as sampling, data collection, data analysis and data verification. Issues relating to ethics, limitations and reflexivity in this study are discussed at the end of the chapter.

3.2 Research Design

Research design can be understood as the relevant strategy the researcher chooses, informed by the goal of the research study (De Vos, Strydom, Fouché & Delport, 2005: 273), which is outlined in the purpose of the research, the problem formulation and the research questions. This is an exploratory study. Exploratory studies are typically conducted when the researcher desires to increase understanding of a phenomenon or to identify issues for further research (Babbie & Mouton, 2001: 80). The main problem identified in this study was the lack of local knowledge of founder transition. Therefore, the research questions were formulated in order to obtain a description of participants' experience to enhance understanding of founder transitions in South Africa.

The main goal of studies using the qualitative research approach is to describe and to understand, rather than to explain human behaviour (Babbie & Mouton, 2001: 270). Qualitative research produces "in-depth" descriptions and understanding of action and events which are applicable in a specific context and not to generalise to a greater population (Babbie & Mouton, 2001: 270). Neuman (2000: 21) states that exploratory qualitative research enables the researcher to use a range of evidence and to discover new phenomena. Therefore, for the purposes of this study, an exploratory qualitative research design was most suited for developing a deeper understanding of founder transitions in NPOs in South Africa. The insights from this study also informed areas for further research into founder transitions, and

to recommend ways in which NPOs could improve the way they manage founder transitions in order to enhance the sustainability of their organisations.

3.3 Research Methodology

Population and Sampling

To obtain in-depth information about the research topic, taking into account the complexity of founder transitions, I included a variety of role players in the planning and execution of the founder transition process as my target population. With the intention of gathering information on all aspects of the research topic (De Vos et al., 2005: 328), the criteria for inclusion in the target population was one of the following role players who had experienced a founder transition in an NPO: an NPO founder and former executive, an executive who succeeded the founder, a board member during the NPO founder transition, or a consultant working alongside NPOs during founder transitions.

The sampling approach used in this study was non-probability purposive sampling. Non-probability sampling is relevant in this study because it was not possible to give every person or organisation that met the selection criteria an equal chance of being chosen for the research (Babbie & Mouton, 2001: 166). I approached potential participants in the target population whom I knew from having worked in the nonprofit sector for almost 20 years. I also asked respected colleagues in the NPO sector for referrals and participants also voluntarily referred me to individuals who met the criteria of the target population.

Purposive sampling is common to exploratory research, where the researcher uses his or her own judgement to select cases for the purposes of the research (Neuman, 2000), and because of their relevance to the research topic (De Vos et al., 2005: 328). I therefore selected the sample I judged to be the most relevant to this exploratory study.

This study included a sample of 17 participants, made up of seven founders, four successors, three board members (two of which were board chairs), two CEOs (not direct founder successors), and one consultant. They represented eight NPOs in the Western Cape, all of which had experienced a founder transition.

Data Collection

Qualitative studies commonly use interviews as a data collection method (De Vos et al., 2005: 287). The data collection approach that was used in this study was a semi-structured interview, which is ideal for exploring a person's recollection, feelings and perceptions of a particular topic (De Vos et al., 2005: 296). This aligns with the purpose of this study, which is to explore the experience of founder transitions in NPOs in the Western Cape. I conducted seventeen interviews with individual participants, sixteen face-to-face and one interview by telephone, as the participant was not based in the Western Cape.

To guide the interview and be able to elicit comparable data, I developed interview schedules that were used in each interview (Appendices A & B), that covered the topic of founder transitions comprehensively. The challenge in developing the interview schedule was to allow for flexibility, as well as to maintain consistency in gathering information as to allow sufficient comparison between interviews (De Vos et al., 2005: 293). I conducted a pilot interview, to test the interview schedule and to become accustomed to the practical steps of collecting the data, so that I would not need to make "ad-hoc decisions during the course of the study" that would influence the data collection negatively (Babbie & Mouton, 2001: 256). I made slight adjustments to the interview schedule but assessed them to be inconsequential to the data collection, and I therefore included the pilot interview for data analysis.

I obtained permission from each participant to digitally record the interview, in order to provide an accurate record of the interview. Interviews were recorded using an iPad and were transcribed professionally. Certain precautions were followed in order to protect the raw data, by making copies of all interview recordings immediately after the interviews, keeping a master copy in a safe, and a second copy in my office.

Data Analysis

Data analysis is the process of ordering the collected data so that meaning can be attributed to it (De Vos et al., 2005: 333). The challenge for the qualitative researcher is to identify themes and interpret meaning from a mass of data in the form of words, which are inevitably "imprecise, diffuse and context-based, and can have more than one meaning" (Neuman, 2000:

419). Tesch (1990) provides a helpful process of organising the data collected, outlined in her eight steps of data analysis. In this study, the digital recordings of all interviews were transcribed professionally, transferring the digital data onto written transcripts. I based my data analysis on Tesch's (1990: 154) steps as follows:

1. I read through all of the written transcripts to get an overall sense of the interviews and to become familiar with the data. I noted ideas about the data.

2. I read through each individual transcript, one at a time, to understand each one in relation to the research questions and to identify participant comments that could be considered important. From this the first preliminary themes emerged.

3. I compiled a list of probable themes from all the transcripts, comparing them and grouping similar themes together, bearing the research questions in mind.

4. I designed a framework for the themes emerging from step three, ensuring that the framework included all participant comments identified as important from step two.

5. I refined the description of each theme, mapping out sub themes and connections to show relationships relevant to the research questions.

6. I made a final decision on the themes used in this study.

7. I matched the relevant participant comments to the themes and began analysing the content of the data.

8. I reviewed the data as required.

3.4 Data Verification

The aim of any qualitative research is to be objective and valid (Babbie & Mouton, 2001: 276). Babbie & Mouton (2001: 276) cite the influential work of Lincoln and Guba (1985), who focused on the concept of trustworthiness (or neutrality of findings) as a key principle of good qualitative research. They outlined four concepts that guide a researcher in verifying the trustworthiness of the data: credibility, transferability, dependability and confirmability (Babbie & Mouton, 2001: 277).

Credibility

Credibility refers to the compatibility between what the participants have said and what has been attributed to them (Babbie & Mouton, 2001: 277). This can be achieved through a variety of processes, such as accurately documenting data and collecting information from a variety of sources to provide different points of view of the same event or experience. In this study, each interview was digitally recorded and then professionally transcribed into written transcriptions. The target population was also specifically chosen to include different role players in an NPO founder transition, in order to provide varied viewpoints and therefore a more holistic picture of the process.

Transferability

Transferability examines the extent to which study findings can be applied with different participants or in other contexts (Babbie & Mouton, 2001: 277). As this study uses a qualitative research design, the primary aim is not for findings to be generalisable, unlike quantitative research. Babbie and Mouton (2001: 277), citing Guba and Lincoln (1984), note two strategies for transferability, using 'thick descriptions' and purposive sampling. 'Thick descriptions' refer to the researcher collecting and reporting detailed descriptions in context and in detail, where the reader judges the transferability of the data for themselves. This study employed the purposive sampling approach.

Dependability

Dependability means that should a study be repeated with the same or similar participants and context, it would produce similar results (Babbie & Mouton, 2001: 278). Where credibility is demonstrated, it is not necessary to show dependability separately, since "a demonstration of the former is sufficient to establish the existence of the latter (Babbie & Mouton, 2001: 278).

Confirmability

Confirmability relates to the degree to which the findings are the product of data or the bias of the researcher (Babbie & Mouton, 2001: 278). In this study a meticulous record of each step of the research was kept, including digital recordings, written transcriptions, process notes and conclusions of each step of the study. Like an audit trail, these records provide the opportunity to trace all findings to their source.

3.5 Ethical Considerations

It is critical to address ethical issues in social research. Toward this aim, researchers adhere to a code of conduct which outlines acceptable and unacceptable professional behaviour (Babbie & Mouton, 2001: 258). For this study, I was guided by the University of Cape Town's Faculty of Humanities Guide to Research Ethics, which promotes responsible research. Before the interaction with participants began, I applied for ethical clearance from the University of Cape Town's Department of Social Development. This was obtained.

The following ethical considerations are important in this study: avoidance of harm, informed consent, no deception of respondents, privacy, anonymity, confidentiality, voluntary participation, debriefing respondents and publication of findings.

Avoidance of Harm

De Vos et al. (2005: 59) stress the importance of protecting research participants from harm, stating that "a researcher is ethically obliged to change the nature of his research rather than expose his respondents to the faintest possibility of physical and/or emotional harm of which he may be aware." Participants were reminded before the interview began, of the voluntary nature of their participation and were given the option to stop if they so wished. No physical harm came to participants due to participation in this study.

Informed Consent

Informed consent suggests that the researcher discloses "accurate and complete information, so that subjects will fully comprehend the investigation and consequently be able to make a voluntary, thoroughly reasoned decision about their possible participation" (De Vos et al., 2005: 59). In this study, each participant was asked to sign a consent form (Appendix C), which outlined the topic and purpose of the research, as well as the requirements of participation. They were therefore made fully aware of what the research study was about, through which institution it was being conducted, and the commitment they were making, before agreeing to participate. All participants provided their written consent to participate in this study.

No Deception of Respondents

Deception "involves misleading or lying to subjects" (Neuman, 2000: 243). While there may be cause for deception in experimental research "to achieve a goal that cannot be achieved otherwise" (Neuman, 2000: 243), in this study, being exploratory research, it was not necessary or even considered that the researcher intentionally mislead participants. The researcher is committed to the set of professional norms and values governing the scientific community, including honesty (Neuman, 2000: 9). I have endeavoured to maintain objectivity and integrity in conducting this study, ensuring sound analysis and reporting as far as possible, and avoiding plagiarism (Babbie & Mouton, 2001: 526).

Privacy/Anonymity/Confidentiality

In this study, privacy, anonymity and confidentiality were considered as interrelated (De Vos et al., 2005: 61). Participants are considered anonymous "when the researcher cannot identify a given response with a given respondent" (Babbie & Mouton, 2001: 523). In this study it was not practical for participants to remain anonymous (to the researcher), and participants who insisted on anonymity would not have been included in this study. None did so. "Privacy implies the element of personal privacy, while confidentiality indicates the handling of information in a confidential manner" (De Vos et al., 2005: 61). In this study, participants' right to privacy was protected by ensuring the confidentiality of their identity, the NPO they

discussed and the information shared. This excluded what was reasonable for the purposes of the research, such as sharing information with my supervisor. The informed consent form stated that I would ensure the confidentiality of each participant. No organisations or participants have been named and all identifying details have been excluded in this research study report.

Voluntary Participation

Voluntary participation is a norm in social research, and "no one should be forced to participate" (Babbie & Mouton, 2001: 521). The informed consent form used in this study stated that participants could stop participating at any time should they wish to. This was reiterated to all participants before each interview. None did so. It is noted that participants in this study were particularly motivated to take part, in the hope that in sharing their experience, they could help their NPO colleagues and contribute to the strengthening of the NPO sector.

Debriefing Respondents

During the course of participating in research, issues may be raised for participants that require processing (De Vos et al., 2005: 67). It was not anticipated that the interview questions in this study would elicit an emotional response requiring follow up by the researcher. The informed consent form however stated that the participation was voluntary and therefore that participants could withdraw at any time. None did so.

Publication of Findings

It is the ethical duty of the researcher to make the research report available to participants, peers and the wider public (Babbie & Mouton, 2001: 528; De Vos et al., 2005: 66). This study will be published on the University of Cape Town's OpenUCT website (http://open.uct.ac.za), the university's open access repository.

3.6 Limitations of the Study

Qualitative research is concerned with understanding and describing social phenomena where findings are limited to context rather than being generalised to a population (Babbie & Mouton, 2001: 270). The findings of this study are therefore not generalisable to the greater population of NPO leaders or NPOs. However, the choice of a qualitative research design was the most appropriate for this study as the purpose was to explore the experience of founder transitions in selected NPOs in the Western Cape.

Another possible limitation could have been my own bias and subjective opinion influencing the way I interviewed participants. "The role of the researcher as the primary data collection instrument necessitates the identification of personal values, assumptions and biases at the onset of the study" (Creswell, 2014: 256). I considered my experience in the NPO sector as providing me with rich insights into the topic, but was well aware of my own biases and perceptions and could take steps to prevent them from influencing the data collection and analysis process. The use of an interview schedule as a means to standardise my questions across participants, as well as the verification of the data as discussed above, ensured that no bias emerged.

3.7 Reflexivity

De Vos et al. (2005: 363) defines reflexivity as "the ability to formulate an integrated understanding of one's own cognitive world, especially understanding one's own influence or role in a set of human relations." It was therefore necessary to be aware of my own worldview, prejudice, values, beliefs and experience and to consciously interpret the data independent of them.

Since I had experience of working in founder-led nonprofit organisations and had gone through a founder transition, it was important to acknowledge my potential bias in interpreting the responses to support my experience. However, my commitment to the sector and therefore to ethical and credible research meant that I was continuously engaged in self-reflection at each step of the research process: reading literature on the topic; choosing my research methodology; conducting the interviews, analysing the data and discussing the

findings of this study. In this way I endeavoured to remain neutral. My research supervisor also provided continual advice and guidance at every step in the research process in this study.

It is the aim of this study to present the experience of the participants accurately, as they provide detailed descriptions of different aspects of the founder transition, each of which needs to be equally heard. I believe the findings of this study make a valuable contribution to improving the preparation for and management of founder transitions in NPOs.

3.8 Summary

This chapter described the study's exploratory qualitative research design and methodology. While the design outlined the basic plan of the study, the methodology section outlined the sampling as well as the data collection approach. Thereafter the manner in which the data was analysed and verified was explained. Lastly the ethical considerations of this study were presented. The next chapter presents and discusses the main findings of this study.

CHAPTER FOUR: PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This study explores the experience of founder transitions in NPOs in the Western Cape, examining their succession planning and founder transition management practices. The contribution this study makes is a greater understanding of the opportunities and risks the founder transition provides and the challenges South African NPOs experience during this time. The recommendations made in this study will contribute to improved preparation for and management of founder transitions in NPOs and therefore enhance organisational sustainability. A qualitative approach to this study was chosen and interviews were conducted with 17 participants, all established leaders in the NPO sector. This chapter provides a profile of the study's participants and the eight NPOs in which they experienced a founder transition. Following due ethical considerations and to ensure confidentiality, no participant or NPO is named and all identifiable information has been withheld. Following the participant and NPO profiles, this chapter outlines the framework for analysis and presents a discussion of the study's main findings. The relevant literature on the research topic is also discussed in relation to the main findings.

4.2 Profile of Participants

The profiles of study participants are listed below:

Participant Number	Role in Founder Transition	Current Position	Gender	Highest Qualifications	NPO Sector Experience
Participant 1	Co-Founder	Board Chair	Male	Master's Degree (Spiritual Formation & Discipleship)	28 years
Participant 2	Founder	Executive Director	Female	Master's Degree (Public Administration)	25 years
Participant 3	Co-Founder	Consultant	Female	Master's Degree (Education & Technology)	16 years
Participant 4	Founder	Retired	Female	Bachelor's Degree (Nursing)	19 years
Participant 5	Board Chair	Director	Female	Diploma (Theology)	13 years
Participant 6	Founder	Consultant	Female	Bachelor's Degree (History & Anthropology)	29 years
Participant 7	Successor	Consultant	Male	Bachelor's Degree (Economic Science)	11 years
Participant 8	Successor	Executive Director	Female	Master's Degree (Science & Strategy)	2.5 years
Participant 9	Board Chair	Board Chair	Female	Professional Degree (Law)	19 years
Participant 10	Co-Founder	Consultant	Female	Executive Integral Coach	24 years
Participant 11	Trustee	Trustee/ Consultant	Female	Master's Degree (Education)	25 years
Participant 12	Executive Director	Consultant	Female	Honour's Degree (21st Century Diplomacy)	17 years
Participant 13	Successor	Executive Director	Male	Honour's Degree (Psychology)	27 years
Participant 14	Director	Executive Head	Female	Bachelor's Degree (Business Science)	2 years
Participant 15	Co-Founder	Consultant	Female	Professional Degree (Social Work)	38 years
Participant 16	Consultant	Consultant	Male	Bachelor's Degree (Theology)	29 years
Participant 17	Successor	Executive Director	Male	Honour's Degree (History)	13 years

The profiles of the NPOs represented in this study, with details *at the time of the founder transition*, are set out below:

Organisation Number	Type of NPO by Legal Entity	Type of NPO by Objective	Year of Founder Transition	Type of Transition	At the time of Founder Transition		
					Age of organisation	Staff Size	Annual Budget
Organisation 1	VA*	Social services	2004	Vol & Invol ** (co-founders)	10 years	90	R4.5 million
Organisation 2	NPC*	Social services	2013	Vol	8 years	12	R1.8 million
Organisation 3	VA	Education	2018	Vol	15 years	75 employees ≤ 1000 volunteers	R23 million
Organisation 4	NPC	Social services	2011	Vol	7 years	20	R3 million
Organisation 5	Trust	Philanthropic intermediaries and voluntarism promotion	2015	Vol	13 years	20	R18 million
Organisation 6	Trust	Social services	2019	Vol & Invol (co-founders)	14 years	50 employees 50 volunteers	R10 million
Organisation 7	Trust	Social services	2011	Invol	48 years	130	R15 million
Organisation 8	Trust	Education	2018	Vol	10 years	7	R15 million

* VA = Voluntary Association, NPC = Nonprofit Company

** Vol = Voluntary, Invol = Involuntary

4.3 Framework for Analysis

Using Tesch's (1990) eight steps of data analysis, a framework for analysis was developed in order to present and discuss the main study findings, including themes, categories and sub-categories. The framework is set out below, and discussed further under the next section.

THEME	CATEGORY	SUB-CATEGORY
Preparation and Planning for Founder Transition	How NPOs understand the founder transition	Lack of competence and skills
		Underestimating the founder transition
	Planning for the founder transition	Avoiding the founder transition
		Succession planning
Founder Transition Management	People in transition	Navigating the emotional aspect of the transition
		Maintaining unity and trust
	Process of transition	The post-succession role of the founder
		Managing the process of change
Challenges of Founder Transitions	Founder/board responsibilities	Letting go
		Leading the transition
	Resourcing	Cost of the founder transition
		Sustaining networks
	Leadership beyond the founder	Finding a successor
		Transformation in NPO leadership

4.4 Research Study Findings

In this section, the main study findings are presented according to the framework for analysis above, and discussed further under each theme. The three themes that emerged from the data are: preparation and planning for founder transition, founder transition management and challenges of founder transitions. The themes were further divided into categories and sub-categories in order to present and discuss the main findings in more depth. Participants' own words are quoted in order to emphasise the findings, and comparisons are made to relevant theory and other research.

THEME 1: PREPARATION AND PLANNING FOR FOUNDER TRANSITION

The first theme in this study considers the preparation and planning in NPOs for the founder transition. The two concepts that emerged during the analysis process were: how NPOs understand founder transitions and planning for the founder transition.

How NPOs Understand the Founder Transition

To explore how prepared NPO leaders and organisations were for the founder transition process, participants' understanding of founder transitions was examined by asking about their knowledge of and skills relating to the process of the founder transition, before it happened. Two frequent topics raised by participants and described in this section are: a lack of competence and skills, and underestimating the founder transition.

Lack of competence and skills
A number of participants interviewed in this study revealed a lack of knowledge of the process and nature of the founder transition and subsequently felt poorly equipped to manage the transition process.

> *"But in terms of skills, I only had experience from my previous organisation, and so you kind of think, oh well, it worked there; but that's another learning, is that what worked there, doesn't necessarily work here." Participant 2*

"So apart from what the HR Executive brought, my personal experience at a university setting, some of it, I had to read up on, and kind of self-learn, but beyond that, not anything really." Participant 5

"I think, with the board, that didn't necessarily understand all of those things, and especially the founder, not really understanding and knowing how those processes needs to be done." Participant 7

"…and just said to the Trustees, […] who's ever done this before? And we were like, none of us; and it's too serious for us to just like hack our way through it, because we would sit…taking two steps forward, everyone was getting upset, and two steps back. […] Realising we didn't have the skills for this, we'd never seen it before." Participant 9

"I don't think we think too deliberately about what the preparation period needs to look like, when that starts, and how we know when we get there and then what happens afterwards." Participant 17

Allison (2002) concludes that nonprofit boards are often unprepared for leading executive transitions. The exit of a founder can often propel the board from a role in assisting the founder to fully governing the organisation, and "as a result, the tasks of organisation assessment, executive search, and transition management impose burdens that the typical board may not be prepared to shoulder" (Allison, 2002: 348).

Underestimating the founder transition

Most participants described how they had underestimated the complex nature of the founder transition process, acknowledging they were unprepared for the dynamics precipitated by the transition, and therefore were not able to prepare themselves or the organisation sufficiently. They noted in particular the emotional strain the transition had on the people involved.

"You know, in retrospect, I think, now, what I've learnt, is that I would have made more emphasis for everybody, that it was inevitably going to be tricky. So, I think the idea that a successful handover has no challenge, is setting yourself up for failure. So, I think it's more just like ensuring that there's enough buffer, and capacity to deal with the inevitable challenges." Participant 3

"We underestimated the readiness of the staff to accept what was coming." Participant 7

"I think we […] definitely underestimated how tough this would be. […] But I think we all, including myself, underestimated what a big change and what a big thing this is. And I hope that we never forget the lesson, really, because [NPO] is so amazing." Participant 8

> *"For me, another challenge was also, sometimes those […] pioneers, when they prepare to leave, I think we underestimate how much support they need, to help them to deal with that situation." Participant 11*

Adams (2005) states that with sufficient planning and support, the founder transition can be a significant and positive process for an organisation. However, he also candidly refers to the transition as risky and complex, and "particularly hazardous for nonprofit organisations" (Adams, 2005: 5). An important aspect of planning for a change process is that it "may also reduce the stress and conflict surrounding the succession" (Elkin, Smith & Zhang, 2012: 37). Kotter (1996) warns against any underestimation of "the magnitude of the forces that reinforce complacency and that help maintain the status quo" in any major change effort (Kotter, 1996: 42). Simply put, "transition work is not easy, it requires preparation" (Tuomala, Yeh & Milway, 2018: 28).

Planning for the Founder Transition

The manner in which NPOs plan for succession, particularly of senior level staff and most significantly, the founder, impacts their ability to successfully transition from a founder-led organisation. This section describes two common practices and strategies indicated by participants when asked how the organisation planned for the founder transition: avoiding the founder transition and succession planning.

Avoiding the founder transition

In this study, founders generally initiated their own transition. Of the ten founders from the eight NPOs represented in this study, seven transitioned voluntarily and three involuntarily. In both cases of NPOs with co-founders, the transition was voluntarily initiated by only one of the co-founders. Participants noted that it was common for governing boards to show signs of avoidance when the founder first communicated thoughts of leaving, missing a vital opportunity to begin planning specifically for their transition.

> *"And so to the point where I actually wrote a document, saying, guys, this is how we should be doing succession, and I planned it all out, and read up a lot about succession at the time, and presented it to the board; but there was a sense like it wasn't really taken up, you know, as if, you know, she'll never leave." Participant 2*

"But I think we…although the Director indicated, for a few years, that she would like to leave, we didn't know when that would happen, and we just maybe thought, well, she's just always going to be around. And then when the opportunity did come up for her to go overseas to study, she said, this is my time, I'm going to go now […] and so that's when we began the process." Participant 5

"Because I just remember, there were meetings in early 2014, with the executive, where we discussed my leaving. And I think they thought, this isn't going to happen, and I kept saying, I'm going." Participant 6

"I think [co-founder 1] said it was like almost four years ago, that she started saying to the board, she's making plans to move on. But I'm not sure when…and I got the idea that [co-founder 1] had said that when she started making those noises, that [co-founder 2] was sort of fobbing her off, and part of the board was also doing that; I think, obviously not wanting to think of such a hectic transition." Participant 13

"The moment the founder says, I think that I need to hand over, don't talk them out of it, take it seriously, and take them at their word, and when they say it, immediately say, okay, let's have the conversation about succession." Participant 16

While Adams (2005:11) states that "either the board or the founder can initiate discussions about succession and/or transition," these discussions are complex, considering that founder transitions are a "psychological process occurring over months and sometimes years." He further notes that "given leader's discomfort with the idea of succession, avoidance may be the natural response" (Adams, 2005:11).

Succession planning

Some participants could not articulate the organisation's leadership succession planning strategies or practices, indicating that succession planning was not a priority. Most organisations did not have written succession plans, such as an emergency succession plan. Rather they related succession planning to finding the successor to the founder once the founder transition process had begun.

"I thought succession only comes into play when I turn sixty-five." Participant 1

"We created a lot of policies and procedures for the organisation, but I don't know that succession was an intentional one, but I think it came up, you know, as a result of this [founder transition]." Participant 5

"I think there was no thinking towards the future, that the day would maybe come, where anything could happen to [founder], or she may resign, or she might move on, or she had great opportunities; there was no preparation for that." Participant 7

Wolfred (2008) states that succession planning is rare in NPOs, which is echoed by Grant and Crutchfield (2008) who agree that "succession planning is an important but often neglected issue within the field" (Grant & Crutchfield, 2008: 51). Several reasons account for this, namely the cost of supporting too many senior level leaders in small NPOs, leadership's fear of losing authority, the board being unwilling to commit time or leadership required for succession planning and the fear of losing funders when succession is discussed (Wolfred, 2008: 3). Tuomala, Yeh and Milway (2018) suggest that best practice in NPOs is to discuss CEO-succession at board level on an annual basis. In doing so, succession planning is less personal and enables the board to focus on the ongoing leadership needs of the organisation (Tuomala, Yeh & Milway, 2018: 33).

Three organisations engaged in succession planning activities by intentionally developing the skills of their employees, building teams, or developing their organisational structure to enable a broad leadership and management base to ensure continuity of leadership.

"And actually, all the staff were told that, you've got to think of your successor. So, it was right through the organisation, that, remember, you've got to train up somebody else; and a lot of them were doing it, were really doing it." Participant 4

"I wouldn't say there were deliberate management systems, but what I did do, especially in the last five years, is […] built a directorship, so there was an Operations Director, a Programmes Director, Finance Director, and myself; […] so I delegated a huge amount, to unbundle my role, that if I went away, the function of my role could continue."
Participant 6

"But they had good systems in place for giving people the necessary exposure; for drawing people into kind of high-level engagements; […] people were sent on kind of training programmes, people were given exposure, in terms of participating and presenting at conferences. So, all that, there were systems in place to really prepare… to grow leadership within the organisation." Participant 11

"But it was simply, as I've already described, it was an acknowledgement that [founder] couldn't do that forever, there was a founder leadership, but there was also a management leadership. […] We did actually send some of the more senior people onto some training courses, so that they understood a bit more about management, a little bit more about leadership, in their role." Participant 14

Approaches and terminology relating to succession planning in NPOs is still evolving, but it generally relates to enhancing sustainability by focusing on leadership, programmes and systems (Adams, 2005: 15). These responses reflect Wolfred's (2008: 3) description of an appropriate approach to succession planning in NPOs, which focuses on aligning the organisation's staff development with its strategy. At the core of this approach is shared leadership, distributing leadership and management responsibilities as well as authority amongst a broad number of staff (Wolfred, 2008: 3). From the responses in this study it appears that NPOs do not focus on succession planning as a conscious risk management or development strategy.

THEME 2: FOUNDER TRANSITION MANAGEMENT

The second theme considers the issues of leading and managing the founder transition. Two concepts that emerged were: people in transition and the process of transition.

People in Transition

When asked about the process of the founder transition, participants focused particularly on the way in which the transition affected them on a personal and interpersonal level. This section describes two important issues for participants, namely navigating the emotional aspect of the transition and maintaining unity and trust.

Navigating the emotional aspect of the transition
When asked about the experience of the founder transition process, almost all participants highlighted the intense emotional aspect of the process for everyone involved. While positive and negative emotions were discussed, negative emotion was more significant as it made the transition more difficult to navigate.

> *"It actually…it was very difficult to…every time we raised it, it caused quite…you know, it caused a lot of upset, and so we'd sort of back off a little bit, out of respect and dignity, put it on the agenda again. […] That was very hard, and very emotionally hard, for [co-founder 2] and [co-founder 1]." Participant 9*

"Emotionally, the biggest transition is with the founder; those are the people who have the biggest emotional connection; yet, everybody has an emotional connection to it. The staff, […] it's hard for them as well. So, it needs time. These people you are dealing with are humans, they have emotions, they have their relationships, it needs time, more than anything else." Participant 10

"I think there was quite a lot of anxiety around the founding members leaving, and there was a lot of concern and that kind of stuff." Participant 13

"It was almost like she knew it was the right thing to do, but she just couldn't let it go. And so, she'd act in fight and flight, and then eventually, she would accept it, and then a month later, it was all her idea. So very emotional rollercoaster." Participant 14

"And a lot of fear losing jobs. […] It was a huge amount of emotional energy, […] we're a people organisation, so it was all about the children, the foster mums, our social work team, and the other staff. It might seem, now, […] oh it went easy; it wasn't, it was hard emotionally, incredibly hard. Some staff…more for some staff, some not, but it was a very, very emotional time." Participant 15

"I think that most of the time, that's what you're dealing with, and that's largely to do with the emotional content of that. So, when you're managing transition, you're not managing the change process, as much as you are, the emotions of the people involved."
Participant 16

Kotter (1996) points out that leading change is not simply an intellectual exercise, but an emotional process too. "Human beings are also emotional creatures, and we ignore that reality at our peril" (Kotter, 1996: 153). Bridges (2009: 1) further distinguishes between change and transition: change being situational while transition is psychological. In his view, change is external and a somewhat shorter and easier process than transition, which is the internal emotional process of accepting change. It is essential to work with the emotional process, aptly captured by Bridges (2009: 1) when he states, "when a change happens without people going through a transition, it is just a rearrangement of the chairs."

Maintaining unity and trust

Participants also frequently discussed the relationship conflicts that arose during the founder transition process and the difficulty in maintaining unity as leaders, especially if they did not necessarily all reach consensus on decisions. One of the significant risks to a successful transition was the breakdown of trust between colleagues.

"But it's as if there was lack of trust in that ability." Participant 7

"So, I think that was the biggest thing, because it just made everyone feel not trusted. So, board would say one thing, and they'd say, ah, you don't trust us, and then we would say something and they'd say, ah, you're trying to turf us out." Participant 9

"So main challenges for organisation, I think, keeping that level head, presenting a united front, I think is very important as a major challenge for people, is presenting a united front even when there isn't necessarily one." Participant 10

"And that's a lesson; trust your founders, trust that they have the best interest of the organisation […] And that was really hard, that we spent our time with heartache, fighting, fighting, fighting, you know, for what we believed was…you know, not that we know what's exactly right […] so trust the people you've got, wisely, obviously; it has to be wisely, if you don't want to mess up." Participant 15

From the responses it appears that the transition process exerts much pressure on relationships, which requires wise and mature management or facilitation. Kotter and Cohen (2006) identify trust as the key ingredient for a team to work effectively together. They consider weak trust during big changes as "a huge problem" (Kotter & Cohen, 2006: 50). Distrust disables a team's ability to create an inspiring vision or smart strategy, rendering them protective and suspicious of others (Kotter & Cohen, 2006: 50). Being an emotionally charged process, the pressure of the founder transition appears to reveal underlying intrapersonal and interpersonal weaknesses that can threaten to derail the process if not adequately and courageously addressed.

Process of Transition

Several common management issues relating directly to founder transitions were raised by participants when asked about how they managed the founder transition process. Two concepts are described in this section: the post-succession role of the founder and managing the process of change.

The post-succession role of the founder

When asked about the process of the founder transition, most participants discussed the challenge in deciding how best to plan and manage the future role of the founder, post-succession. Conventional wisdom has supported the 'clean break', where the founder exits the organisation completely, but recent research shows that founders can successfully

continue in a newly defined role post-succession (Tuomala, Yeh & Milway, 2018). Two founders in this study left with a 'clean break', providing advice to their successor if consulted.

"I always think previous leaders must just get out. So even with that strategic help, and introduction to donors, I wouldn't do it if I wasn't asked. Because some new EDs don't want you hovering. […] Look, I was very happy to go, because I was ready to go." Participant 6

"When she left, she left, but there was that agreement that she would provide mentoring support. She didn't become a board member. […] There was never any talk or even suggestion to bring [founder] onto the board, no, not. It's just that there was an agreement that she would mentor the new incumbent; that was her role." Participant 11

Eight founders (from six organisations therefore including two co-founders) maintained a post-succession role after succession: two as board members; four as consultants working on new projects or fundraising; and two remaining employed in a new position, one later moving to the board and the other exiting completely. The challenge for organisations was to balance the need to retain the institutional knowledge, skills or relationships of the founder with the need to allow for new leadership to flourish and for the staff to make the emotional transition.

"So, when he then took over, on that date, then I clearly had a sense of, I need to move offsite. […] I think when you start hanging around as the previous CEO, and then you always have a tendency…people still come and want to talk to you. So, I felt I needed to withdraw, and he needed to kind of step up […] I was the CEO, but then I was a board member, I remained a board member." Participant 1

On reflection, some participants raised concerns about the effect of the influence of the founders who retained a post-succession role, suggesting that it requires careful management. While it was acknowledged that founders needed to be less prominent, the practical working of the changed relationship was somewhat difficult and messy.

"I think for them, it was a challenge that I was probably still there, and I think, you know, I'm there, but I'm not the head anymore, I think that is probably not ideal, I would admit; I would actually, probably think one should make a clean break, and then move out; so that might have been better for [NPO], perhaps, there would have been more work for the others, but it might have been better; I don't know." Participant 4

"I think, if I can be honest with that, [founder] never left. Although she wasn't physically present - that was part of the challenge […] she was still, on a weekly basis, present via internet, email, Skype, conversations with staff members. So, I don't think there was really

a transition that took place, mentally, in people's mind, because [founder] was still present, even though she was not physically in the space; and that, I think, created some of the challenges that we were faced with." Participant 7

"Because I said to her [founder], you're already a consultant at [NPO], you're already very involved, and not…you know, it's just people are constantly involving her. I mean, she knows…she might as well be here, [founder] knows everything that's going on, everything. So you are so involved, you're…even when I'm sitting here, it's like [founder] is in the other room, but she's physically not; because I know people contact her, and they share information, and they forward her emails, and she's still representing [NPO] at certain events." Participant 8

"So, I already feel quite in the [successor] position, and still appreciating the help where I need it, but actually feeling it's healthier for me to try and be as independent as possible. I'm seeing it also more, you know, in my pick-up from staff and that, it's healthier that there's a cleaner break. […] It's very obvious like that it's difficult for a new leader, myself and [colleague], to actually go and say, this is what we want to do, if they're still involved, and the danger of having them involved, although it's a huge advantage, is that staff will default to them, or still be asking for their advice." Participant 13

"The moment you actually have someone still signed up, they linger, their authority lingers, it's almost like you wait until that time is over, because then, ok now they have left, so actually I think what should be happening in these transitions is that they should be clean. All the work is done before, and then they leave. […] the sticking around never works." Participant 17.

Tuomala, Yeh and Milway's (2018: 28) research into founder successions revealed the potential value in a continuing role for the founder post-succession "when done right". They describe four conditions under which an extended founder role can be considered, revealing the complexity of the situation: the role should be limited to the founder's specific skills and area of interest, conflict should be expected and a conflict resolution process agreed upon in advance, loyalties (of board, staff and funders) should be consciously transferred to the new leadership, and an initial separation between founder and organisation should be allowed for the successor to settle in (Tuomala, Yeh & Smith, 2018: 29-31). It is evidently important that clear boundaries and lines of communication are intentionally agreed upon and reinforced, for the founder in a post-succession role to be mutually beneficial for both the founder and the organisation.

Managing the process of change

When asked to describe the process followed during the founder transition, participants described a similar sequence of events or milestones that made up the transition process. Some participants, either in hindsight or due to experience, highlighted the need to consciously manage the change, using the knowledge and skills of change management theory, or risk getting stuck in the process.

> "However, I think, because of the certain change management processes that weren't properly followed, in terms of preparing…I think it was, we underestimated the readiness of the staff to accept what was coming." Participant 7

> "We definitely didn't think about the change management part of it, there was nothing in place. And now, because there's, unfortunately, a breakdown of the Executive Team, now we're saying, we need to get a facilitator in to repair relationships." Participant 8

> "I think a lot of people, as individuals, and even in the collective thinking, as an institution, are anxious about change, even if they need it, or say they want it. […] People's anxiety around change, isn't always expressed in healthy or effective [ways]…or even expressed, and I think if that's handled effectively, […] responsibly and authentically, then I think the process of transition doesn't and shouldn't be as traumatic, or damaging or negative, as so many examples have proven to be." Participant 12

> "But it's not…to be very honest, I don't think it's that different to what goes on in most organisations around the planet, because things are transitioning and changing all the time, and change is the nature of the day. I just think that in those NGOs, they're not accustomed to it, in the same way. […] it's about showing them, that change can be interesting, and bring benefits." Participant 14

Contracting an external consultant or coach was helpful to some in intentionally managing the change process of the founder transition.

> "We had an unsuccessful, and a successful change management experience [with a consultant]." Participant 6

> "Trust had really broken down. So bringing in [consultant], […] was amazing, because we would sit in a meeting, afterwards, when he would collate the information, and give it to people, and there were things that I, for example, had been saying for a while, that were taken the wrong way completely; and he would say them, you know, based on my experience in other organisations…and then everyone would be nodding, you know. […] Definitely, he was the best resource ever." Participant 9

"I brought [consultant] into the process on change management as well; so, I'd been to a course that [he] ran on change management, [...] and knew that he was going to be a very useful person for that process, to bring him in." Participant 10

"Change management [...] all seems a bit highfalutin, to me, what they do, [...] but he was very good at putting it together, and getting people...really, he just got people to talk and discuss, [...] that was his skill of facilitating, a skill, and keeping the lid on emotions if they were there, and basically...well, just getting common ground." Participant 15

"There is a need for an external facilitator to help facilitate the process, and lower the emotional temperature." Participant 16

It is critical to recognise the founder transition as the significant change process that it is. Neglecting the opportunity to intentionally manage the change and facilitate staff through the transition puts the organisation unnecessarily at risk of becoming overwhelmed and distracted from its mission. According to Adams (2004: 36), experience and research at the Annie E. Casey Foundation in the USA has shown that executive transitions can be a powerful opportunity to strengthen nonprofit organisations when proactively managed, whereas poorly managed transitions "incur high costs to organisations and communities." In response, a number of practitioners have developed an Executive Transition Management (ETM) model to assist NPOs, "a unique approach to reducing the risks and maximizing the potential of the active transition period" (Adams 2005: 16).

More than a decade on, Tuomala, Yeh and Milway (2018: 32) concur that many nonprofit organisations "still struggle to manage founder transitions." One of their recommended practices in facilitating a successful founder transition is "to engage in regular coaching to help navigate the operational and emotional aspects of transition (Tuomala, Yeh & Milway, 2018: 30). However, despite the plethora of transition management models and tools available, leadership succession planning and transition management are yet to become "mainstream practices" (Tebbe, Stewart, Hughes & Adams, 2017: 340).

THEME 3: CHALLENGES OF FOUNDER TRANSITIONS

The third theme in this study considers challenges experienced during founder transitions. While the study participants shared many positive aspects and outcomes of founder transitions, it is a valuable exercise to discuss the challenges they experienced, in order to assist other NPOs in preparing for their founder transitions. Three concepts that emerged during the analysis process were: founder/board responsibilities, resourcing and leadership beyond the founder.

Founder/Board Responsibilities

The common struggles or dilemmas (Adams, 2005: 6) faced by the founder and the board were raised by participants when asked about the personal and organisational challenges experienced during the founder transition. In this section, the most poignant challenges for founders and the board respectively are discussed: letting go and leading the transition.

Letting go

The most significant challenge communicated by participants for founders was letting go, in order to move into the new. This was attributed to the meaning founders attached to the organisation (often using the analogy of family), as well as the burden of responsibility and emotional connection founders felt for the staff and beneficiaries of the organisation. Different strategies helped founders to let go, such as a knowing that it was in the best interests of the organisation, their desire to move on, lessons from their personal growth journeys, or walking the journey with professionals such as a coach or therapist. Letting go was more difficult for founders who had not initiated the transition.

> *"Letting people down; so now you've got people you employed, because for some, it was their livelihood, and you feel responsible for that; and that was hard to let go and hard to see the demise of that happen, because I think, the minute you employ someone, you do take responsibility for that part of their life; and maybe I over-internalised that."*
> *Participant 2*

> *"There's more of a connection with the founder, it's much more difficult, and it was difficult for me; I had to keep on saying, for myself, you know, cut it off, you've got to cut it off; and knowing that this is the healthy way to do it, and better for them, that baby can stand*

on their own feet. […] Bringing up organisations, and bringing up children, that's what they've got to do, they've got to fend for themselves; that's the whole thing." Participant 4

"One of the challenges has been this, how much to let go, and how much to hold onto, and how to do that. The part of me that wants to go, there you are, over to you, bye, off you go; both in terms of unburdening myself, and in terms of letting [successor] feel free, to give him that responsibility. So, part of me wants to do that, but the other part of me, doesn't want to, because of the responsibility of the organisation, and not wanting it to fail. […] And then the other part of the letting go, which is the interesting part, is the personal ego part of it as well, which has been so much easier than I thought it was going to be, and I think it's because I did the work, over the last four years before that." Participant 10

"It was almost like she knew it was the right thing to do, but she just couldn't let it go." Participant 14.

"There is no doubt, it's a really difficult process, for a founder. If [name], the new CEO, resigns in a years' time, it will be sad; it won't be anywhere near the same, of people who've actually started something, because it's your heart, it's [ ] your life, everything, and you're giving it away to somebody else; for all the best reasons, they don't negate that, but it's just a hard, hard, process." Participant 15

The process of letting go is recognised by Bridges (2009) as the first of three phases of transition. In this phase, individuals are required to let go of their current identity and way of doing things, in order to make way for the new. The psychological loss can be enormous and therefore letting go can be extremely difficult. Founders can be deeply affected by the process of letting go of something they have given so much of themselves to and value so much, that they "may require uncomfortable doses of self-reflection, and in some cases, outside support" (Adams, 2005: 15).

Leading the transition

Participants raised a number of challenges for the board during the founder transition, related to leadership role in the transition. These challenges included adjusting to making decisions about and independent of the founder, conflict with the founder, feeling poorly prepared for the weight of transition leadership (being too 'new' on the board) and managing the increased demand on board members' time, skills and energy during the transition. Since boards play such an instrumental role in leading founder transitions, their readiness and ability to do so is key. This is what is implied by a strong board.

"I think, you know, even if you have to access resources in preparation for it, that you make those available, because it's an important enough issue, you know, whether that's training, if your board has never gone through a succession; […] if the board doesn't know how to go through something like that; and that it's a worthwhile investment, to get prepared and trained." Participant 5

"So, I think the biggest challenges were […] the necessary separation between the board and the founders; and carving out areas that the founders can't be involved in, and managing those expectations. […] But I think it was this push and pull between the board, it was very, very tough; the board was trying to be quite objective, and trying to run this through, but maybe being too objective, at times, and that causing emotional distress for the founders, which isn't good for the process, but then you can't pander to the founders either, and sometimes, you have to draw that line, and say, I'm sorry you don't like it, but that's all that is. […] That balancing act was such a challenge." Participant 9

"So when you're taking the time to prepare, the beginning part of that, is getting a strong board in place, because what's happened is, we've got some strong board members in place, but they're so new, that they're going, well I can't make decisions, because I don't know the history, I feel absolutely ill-equipped to make a decision." Participant 10

"For me, personally, it was very difficult, because I was leading an[other] organisation, and I had to invest a big chunk of my time as administrator, and to start to look after an organisation that had taken a battering, where people were feeling very vulnerable, morale was low, that was very difficult for me, it was exhausting, it was draining, it was exhausting." Participant 11

The nature of the founder transition may initiate several changes in the way the organisation's board operates. Block and Rosenberg (2002: 364) found evidence that boards in founder-led organisations met less frequently than in those led by non-founders, suggesting founders play a more influential leadership role than nonfounders. Tuomala, Yeh and Milway (2018: 33) similarly reveal common weaknesses amongst boards of founder-led organisations, including weak oversight of organisation operations and "insufficient independence from the founder."

With the founder leaving, the board is required to step into a more active leadership role and address the myriad of non-routine decisions concerning the transition period. Several challenges for the board are mentioned in the literature, such as the increased demand on their time, skills and commitment, balancing the desire to include the founder in key decisions with the need to make independent decisions, conflicting with founders over the values and characteristics of organisational leadership going forward, the board finding themselves unaware of organisational weaknesses because of the energy and influence of the founder, and

being out of touch with the actual direction of the organisation because of the deeply trusting relationship with the founder (Adams, 2005: 10).

While a less active board may be reflective of leadership typical of the pioneering stage of organisational development, it is important that the board are aware of the need to step up as the organisation grows, and particularly when a founder transition approaches.

Resourcing

Financial sustainability is a constant pressure point in nonprofit organisations, even more so during founder transitions. The financial cost of the transition and sustaining networks are two challenges considered in this section.

Cost of the founder transition

When asked about the resources organisations tapped into during the founder transition, most participants noted the need for funds or skills to cover specific transition related costs and tasks. Some organisations regretted neglecting this aspect, while others were able to commit funds to the transition costs. These costs included hiring recruitment specialists, paying two salaries during an overlap period, paying higher salaries in order to attract the desired successor/s, or contracting change management consultants. Participants noted the challenge of fundraising generally, but considered it important to plan for transition by raising specific funds and/or support for transition tasks and costs. In addition, a strong financial position going into the transition was considered essential, without which the sustainability of the organisation could be significantly compromised.

> "Well as far as I can remember, there was nothing made available at the time […] But now I understand, it's important to budget for that; but at that time, again, the pioneering stage, it wasn't on our mind." Participant 1

> "Exactly, so your whole budgeting process has to align with the succession planning. So, because I'm the founder, and because probably there's a lot of passion and commitment and loyalty to, you know, for the organisation, is, I'm contracted for twenty hours with the equivalent salary; but we need someone full time for the full salary. The other thing […] I've been able to do this because my husband can afford it. […] A lot of founders are people who can afford to do this on the smell of an oil rag." Participant 2

"We used a recruitment agency as well, we got some head-hunting people, so we put some money into finding candidates […] And I guess we were lucky; not many organisations can afford to pay two ED salaries at once, for three months." Participant 3

"I think we were so focused on getting this done, that we may have not thought to look for outside resources; and like with many NGOs, I think, even if they were available, they would have come at a cost […] So although it probably would have been beneficial in the long run, to access some of those resources and pay for them, […] with typical NGO thinking, where you're strapped for cash, you try to just do things with the resources you do have, rather than trying to…If you can get them for free, you usually try that […] but sometimes it might be worth the investment." Participant 5

"So, it did cost us more, […] so we offered a good salary out there, to attract the right person as well. And it is more expensive with all of the new jobs created, and also [co-founders] still consult into the organisation, so we've got that extra cost, but we've always been thankfully, a very well-funded organisation. […] You don't always have the luxury of time, but in your succession planning, get the organisation to a very sustainable strong point. […] finances are a big thing, if you want to attract the right person, for sure." Participant 9

"I think the important thing, it costs money, that's the other thing, is that founder transitions cost money. I mean, if I look at what this…the two years of…the last year and the first year, are expensive years." Participant 10

Tuomala, Yeh and Milway (2018: 33) suggest organisations plan ahead for a successful transition and "set aside a transition fund to address contingencies" for a successful transition. Such reserves could be used for necessary transition related expenses such as hiring a coach, contracting with a recruitment agency, or paying more than one salary for a position during a period of overlap between the founder and successor (Tuomala, Yeh & Milway, 2018: 33).

Sustaining networks

Participants highlighted the centrality of relationships in their work, and the importance of sustaining the networks developed by the founder through a handover process. They raised particular concerns about the fundraising networks, considering that most founders hold significant donor relationships and are the primary fundraisers. Some organisations had anticipated this by expanding the fundraising role amongst a broader staff team, contracting the founder to continue in a fundraising role in order to hand over the relationships over time, or built up significant reserves to tide the organisation over a possible dip in funding. Participants advised that personal introductions to their donor relationships were essential,

requiring time and effort. The handover of networks, particularly of donor relationships, is critical for financial sustainability.

> "So there was that strong relationship and support from the funding community, foundations and corporates, and then also those relationships, […] the other thing is really important, […] we had a Business Development Manager and a Fundraiser, and all the funding relationships had been transitioned to them, […] I also obviously introduced [successor] to a lot of them in those three months, but in terms of having worked with them for a while, and knowing the vibe, that that was held." Participant 3

> "So that was one of my big things, I mean, that was the first thing, when I realised, okay, ooh, the most important thing is the relationship with the donors…And then, fortunately, [successor] has, through the sport ministry, been able to travel to the US, so he's met a lot of the people there as well; so that was very important. […] And, the people don't even…it took some time, but they don't even communicate with me anymore, completely, you know." Participant 4

> "And when it came to the programmes in particular, I ensured the relationships that I had, with donors and stakeholders, were pushed down the organisation; so, I delegated a huge amount, to unbundle my role, that if I went away, the function of my role could continue." Participant 6

> "Who would know your donor relationships? I mean, it highlighted that we needed a lot of work, of putting the systems in place, and taking the stuff out of the founder's heads, into the common sort of knowledge of everyone; […] So, it slowly but surely, over a year, she's handing over to [successor], all those relationships, taking him with her on trips, and introducing him to a whole lot of people." Participant 9

> "I think it's really very beneficial that [co-founder 1] is staying on to introduce me to everybody and just give me a feel on how it works, and the relationships, because those things are all relationships." Participant 13

> "It's about making sure that there is a good process in place, to hand over relationships; and that's by thinking about all the relationships that are significant for the organisation." Participant 16

Two organisations experienced a significant reduction in income where the handover of donor relationships was not managed well or where the crisis of succession affected the organisation's ability to fundraise. Financial reserves can support an organisation through such a crisis, and the lack thereof could mean its demise.

"It would have gone under. It's…well, it had built over the years, one of the good things that [founder] had done, was to help the organisation to build up a good reserve, so it had a very good reserve. But you know, […], and those three years, when no funding came in, it also chowed into the reserve. So, it did affect the sustainability of the organisation." Participant 11

"Accept you are going to lose funders, because funders are often very personality driven, and so someone coming in, just needs to know, I'm going to have to get my own funders as well." Participant 16

The founder's network of colleagues, supporters and donors, is invaluable to the organisation and cannot be transferred hastily, particularly where such contacts have a long standing and strong relationship with the founder. An organisation's dependence on the founder for raising funds is common, as "often, the biggest asset leaving with the founder is her or his relationships, particularly to the organization's funders" (Adams, 2005: 10). Similarly, in New Zealand, "networks created by the founders are vital for the success of the Third Sector Organisations (TSOs) as these networks represent intellectual capital and connections" (Elkin, Smith & Zhang, 2012: 38). Wolfred (2008) warns of the high risk when the outgoing executive is the lead fundraiser or only person who relates to some of the organisation's donors. To prepare for transition, he suggests that "standardizing systems and broadening relationships with grantmakers to include other staff are crucial strategies (Wolfred, 2008: 11).

Adams (2006) states clearly that an organisation's survival may be compromised if the transfer of relationships is not considered and executed adequately. That said, some funders inevitably follow the person with whom they have the primary relationship, in this case the founder. The organisation needs to be prepared for a reduction in income while the successor or fundraiser develop their own relationships.

Leadership Beyond the Founder

Most participants considered the challenge of finding a successor to the founder as a significant one. The weight of responsibility in appointing an individual for a top leadership position made many participants anxious. Assessing who the organisation needed as their successor in terms of skills set and experience also presented a challenge to participants. Two concepts discussed below are finding a successor and transformation in NPO leadership.

Finding a successor

Most participants communicated concern about finding a suitable successor. With a number of pressures and criteria to consider, they found it a difficult task, and felt 'lucky' to find someone. The challenges in finding a successor can be divided into two areas: finding a successor to fit a list of common criteria and organisational readiness to appoint the right successor. It was perceived by most participants that only a small pool of potential candidates would fit a number of common criteria, namely being trustworthy, would fit with the ethos of the NPO, has sufficient leadership and management skills/experience, would increase the diversity of the leadership team, was willing to work for an NPO market related salary and would please stakeholders like the founder, staff and funders. In addition, the organisation needed to be in a position to assess accurately what the NPO needed in a leader, pay a good market-related salary and having enough time for an adequate search.

Organisations used different recruitment strategies, approaching potential candidates in their networks directly, conducting an internal/external recruitment process or outsourcing the recruiting to HR specialists. It is important for organisations to follow their own HR recruitment policies in whichever way they choose to recruit a successor, as some organisations had to manage expectations from staff who assumed they would be promoted to the position of successor. Most participants stressed the need for time in recruiting a successor, and were of the view that that the organisation needed to grow to a point where it could attract skilled individuals, meaning it could afford a good salary.

"So we were lucky in that we had a lot of amazing candidates, and that was also something that had led me to stay longer than I probably would have wanted to, in that, getting the organisation to the point where we could attract the right kind of talent, and pay the right kind of salary, and be competitive; that was like a big part of it." Participant 3

"Okay, in 2011, I gave over the head of the organisation, to [successor]; and because I was actually, for quite some time, looking for a successor, and I knew him, but I didn't think that he would ever accept the position, and I was so delighted when he did. […] I was looking for somebody, it was definitely long overdue." Participant 4

"Then allowing yourself sufficient time for recruitment as well, because it's really tricky to find that right person, they're one of the core ingredients in determining the success of the process. […] I think we just are lucky in that we found…lucky, lucky, that we found the right person." Participant 9

"So I think the coming after founders, is a difficult thing, because everybody's got to be aware of the fact that you're not replacing that person [...] And what we had, in my mind, what we were looking for in the new leader, was a safe pair of hands; [...] knowing that they weren't going to mess it up; that they weren't going to suddenly change things, that they were going to hold true to the mission and values, and you've got a safe, steady hands, for that period." Participant 10

While the board makes the ultimate decision on choosing the successor, some founders in this study were involved in the process and others had nothing to do with it. When founders were involved, this caused some pressure for the board, making the appointment independent of the founder but desiring the founder's support in order to maintain loyalty amongst stakeholders.

"[Co-founder 2] and [co-founder 1] really like him too, which is actually so crucial. It's…you don't include them in the final decision, but it's so crucial actually, because you know, like you have to feel trust in advertising him out there, and saying to whoever, that we're very happy with the decision. And also, in those interactions, and the handover, need to be positive; so, it went well." Participant 9

In this study, four of the eight organisations appointed an 'insider' as successor, being someone already known to the organisation. Two of these successors were previously employees or volunteers and two were board members. Four organisations appointed an 'outsider' as successor, being someone who was not previously involved in the organisation. Of the eight successors that were appointed, six remained in their positions for two years or less. Of the remaining two successors, one has served for eight years and the other less than six months, at the time of writing this report.

Examining the causes for the short-term tenure of most of the successors was beyond the scope of this explorative study. The reasons for the length of their tenure may or may not be related to the founder transition. Based on the responses, it is possible only to identify possible contributing factors: Boards may have made shortsighted appointments, emphasising the need for diversity or attempting to replace the founder, at the expense of other necessary skills or experience. Boards may also have felt pressured to make an appointment by the time the founder left, compromising on the right fit. Poor management of the transition and particularly of the post-succession role of the founder, where authority and loyalty were not intentionally transferred to the successor, may have resulted in an impossible situation for the successor. In a number of organisations, circumstances were favourable for appointing an

interim successor, and therefore these successors would not have remained longer-term in any circumstance. However, no organisations definitively hired these successors as interim CEOs, which could have resulted in a more positive process of transition.

> "We still had great difficulty finding somebody, finding an appropriate person; and as you know, now time is going, so we're losing time, and you know, eventually settled on the individual we chose." Participant 5

> "I think certain staff members didn't really accept me; because [founder] was still pulling the strings from abroad, and that created problems." Participant 7

> "And the very first…the pioneer of [NPO], was somebody with a very high profile; and then the organisation was similarly looking for somebody with a similar profile. […] I said, we need to look at what kind of leadership is this organisation needing, at this point in its evolution. But we…I don't know, the world believes in, CEO needs to be somebody with a high profile, and the organisation did appoint somebody with a high profile, and it didn't work out." Participant 11

> "If you appoint the wrong person to succeed a founder, it can also be hugely challenging. So, you have to clearly understand where the organisation is, and what it needs at this time. And so sometimes people try and appoint another founder type personality, and that's a mistake, because the organisation is not needing it, they're needing somebody to consolidate." Participant 16

> "The idea of say having an interim person and then somebody will follow is a good idea, I think hiring both people at the same time creates a messiness […] A better succession plan would have been to say here's a two-year period. Part of that two-year period is to be finding someone else […] and that's part of your job, is to find and build that next person, as opposed to we've already found the person. […] That was slightly problematic. I think it's about transparency." Participant 17

For some participants, the most important quality in a successor was that they were trustworthy and have the ability to build relationships.

> "Well, there is a dearth of leaders, you only have to look at our political parties, and you can see. It doesn't require a charismatic role, or a kind of person; you need someone who will solidly build relationships and trust; honestly, that's just what it's about." Participant 6

> "But I think the thing is, to find leaders that they trust and feel comfortable with. I think that's probably the biggest challenge." Participant 13

There are many factors to consider when appointing a successor to a founder. Executive leadership in a nonprofit organisation is demanding and challenging and therefore requires a certain calibre of person, with the requisite skills and character. "The distinctive character of nonprofit organizations presents special challenges for the executive (top staff) leadership of such organizations." (Herman, 2016: 167).

While Tuomala, Yeh and Milway's (2018: 29) study revealed that transitions with an internal successor and an extended role for the founder "tend to be the most successful", NPOs often do not have the luxury of promoting internal candidates because of a lack of depth of skill. While this is a particular challenge for smaller nonprofits, most are not large enough "to have two people with sufficient talent or ego to serve in the top job" (Adams, 2006: 6).

The board may be inadequately prepared for the founder transition, neglecting the opportunity to plan for the succession as a significant organisational transition. Many nonprofit boards consider the executive transition in terms of filling a vacancy rather than as a "hiring decision that is wrapped inside of a large organizational change process" (Tebbe et al., 2017: 341). NPOs are constantly encouraged to engage with succession planning issues (Santora, Caro & Sarros, 2007; Wolfred, 2008; Elkin, Smith & Zhang, 2012).

Grant and Crutchfield (2008: 51) urge NPOs to consider new leadership models in order to remain impactful. Their study of 12 of the most successful NPOs in the USA revealed that in addition to developing individual leadership, high-impact NPOs develop collective leadership, referring to work groups, teams or communities. Rather than rely on the charisma, talent or skills of one person at the top, NPOs can develop a culture of leadership that spreads through the entire organisation. "True power comes not from concentrating authority and responsibility at the top but rather from spreading it as widely as possible" (Grant & Crutchfield, 2008: 51). This would surely reduce the organisation's dependence on any one person, and the pressure on any one person to carry an unrealistic burden, which is often the case in NPO leadership.

Transformation in NPO leadership
When asked about the challenges of transition, participants were outspoken about the necessity and desire for transformation. Transformation for them meant organisations being

led by individuals that represent the communities in which the NPOs serve or the need for greater diversity, particularly in leadership. For some participants, the experience of engaging in transformation issues was difficult and stressful. Of the eight organisations represented in this study, all founders were white, with five of the NPOs appointing a successor of colour.

"Correct, with great anticipation, and desire just to hand over to a local person. [...] So…and of course, that needs to be carried by the local community. [...] And then of course, nowadays, South Africa, in terms of making sure that you have the local community involved, so that you invest in the local community." Participant 1

"And then I think if you add on like transformational stuff to that, I think that's also super important, especially for the type of organisation that [NPO] is. So, I knew that it was the right thing to do." Participant 3

"I was looking for quite some time, because I knew that it wasn't good for the organisation to have this white lady leading, it had to be, you know, for the people and by the people. And that is why I was very, always aware of it, but I couldn't find anybody in the immediate community, you know, at that stage, and then when [name] came along, although he wasn't from [township], itself, which was unfortunate, but he was passionate about doing it, and actually.. So that's why he was the ideal person." Participant 4

"Given the South African context, we thought it would be good to draw somebody in to the leadership, that could develop his skills, as a leader, but then also you're - with the whole…I don't know if you want to call it affirmative action - but you're incorporating…you know, you've got a white female exiting, and we brought in a non-white male; so that was part of the development and kind of diversity development, leadership development, of the individual, but then also for the organisation, you know." Participant 5

"I kept saying to the board, find someone different; because the idea, for me, was take [NPO] where I couldn't take it; that's what I hoped the next person would do. I have my own limitations, and so the choice of the next person, [successor], I felt she could go where I couldn't go. I'm a white female, there are places I can't go. We…you know, there's work to be done in corporate social investments, there's work to be done in the government space, and I couldn't comfortably get there, I could push my way in, I had contacts, but not the same way that a black woman could go." Participant 6

"So I think, during that week, people expressed that their belief or wanting of transition, but from what I can pick up, it wasn't necessarily done in a careful, thoughtful, kind way, so I think there were…you know, some staff might have been quite irresponsible, actually, at the way they said or expressed things; and it wasn't just transition about black and white; yes, for sure, but it was also transition about, we want more South Africans at [NPO], we want…interestingly, we want more males in [NPO], because we mainly have females; so it wasn't…it was transition in a more broad thing. And I think that took a toll on a lot of people, not just [founder], but some staff were affected by that." Participant 8

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In our South African context, transformation from a society steeped in racism, prejudice, inequality and oppression, to one of respect for human rights and equality for all, is deeply relevant in a variety of contexts. One of the indicators of transformation is greater diversity. While our nation is addressing particular historical dynamics, we are not the only country to grapple with issues of transformation. In the USA, it is acknowledged that "succession planning or a leadership transition may bring questions of diversity into greater prominence" (Adams, 2006: 12). It is Tyatya's (2018) view that the pace of transformation of the NPO sector, as with many industries in South Africa, has been slow, adding that some argue this is a result of a dependence on founders. He acknowledges that for transformation to be meaningful it cannot simply be about race, but rather needs to be achieved through capacity-building and succession planning strategies. In their endeavour to work towards sustainable transformation, Tshikululu Social Investments, leading corporate social investment managers in South Africa, "has designed several initiatives that place transformation at the forefront of organisational succession planning" (Tyatya, 2018).

Participants in this study believed in and took practical steps towards transformation in NPO leadership. The topic of transformation can be sensitive and more research on this topic in the South African NPO sector is needed in order to move forward constructively. The findings of this study reveal that the way in which NPOs prepare for and manage the founder transition can inadvertently obstruct transformation if the challenges and potential risks are not addressed.

4.5 Summary

The main findings of this research study have been the focus of this chapter. The findings provide answers to the research questions posited in Chapter One, describing how nonprofit organisations in the Western Cape managed their founder transition processes. In order to understand their experience of founder transitions, the findings were collated and presented using a framework for analysis consisting of themes, categories and sub-categories. The three themes covered preparation and planning for founder transitions, founder transition management and challenges of founder transitions. Verbatim quotes from participants were used to support the findings. The findings were also contextualised with reference to the

literature. The next chapter outlines a conclusion to this study and recommendations for the management of founder transitions in nonprofit organisations.

CHAPTER FIVE: LESSONS LEARNED AND RECOMMENDATIONS

5.1 Introduction

The final chapter concludes this study with lessons learned and recommendations based on the main research findings. The purpose of this study, the problem statement and research questions, followed by a description of the sample and data collection method are briefly reviewed. The lessons to consider from this study and subsequent recommendations are outlined, and suggestions for further research are made based on gaps in knowledge identified in this study. The chapter ends with a conclusion.

5.2 Recap of Problem Context and Research Questions

Founder executive transitions in a nonprofit organisation is a time of significant risk – however if planned and managed well, it provides an organisation with an opportunity for growth and renewal. While the nature and experience of founder transitions has been investigated primarily in the USA, I have found no studies on the subject pertaining to South African NPOs. The purpose of this study was to explore the experience of founder transitions in NPOs in South Africa. The topic chosen for this study is, "Leading for sustainability: an exploratory study of founder transitions in nonprofit organisations (NPOs) in the Western Cape."

The main research question examined how a sample of NPOs in the Western Cape had managed their founder transition process. The secondary research questions covered:

1. The kind of leadership succession planning systems and practices that NPOs have in place leading up to their founder transition;
2. The founder transition management processes and practices NPOs followed;
3. The main challenges experienced during a founder transition in NPOs; and
4. The practices and conditions that could contribute to a successful founder transition in NPOs.

5.3 Study Sample and Data Collection

In this study, 16 face-to-face interviews and one telephonic interview were conducted with individuals who had experience of NPO founder transitions. The participants included seven

founders, three board members (two of whom were board chairs during the founder transition), four successors to founders, two CEOs and one NPO consultant. They are all established leaders in the NPO sector. The participants represented eight NPOs that experienced a founder transition. The eight NPOs are all based in the Western Cape, five providing social services, two providing education services and one providing philanthropic intermediary services. The founder transitions took place between 2004 and 2019. Four organisations appointed an insider as a successor to the founder, while four organisations appointed an outsider.

5.4 Lessons to Consider Based on Key Findings

Based on the key research findings, as presented and discussed in Chapter Four, there are three main lessons that can be considered by nonprofit organisations in their planning and execution of the founder transition. In no particular order, these are 1) NPO leaders should prepare and plan for founder transitions, 2) there are key aspects of the founder transition that require skilled leadership and management, and 3) there are common challenges leaders can expect and prepare for during founder transitions.

Preparation and Planning for Founder Transitions
There were five common areas in which the NPOs in this study failed to prepare and plan for their founder transitions adequately. These areas can be addressed in advance of a founder transition:

- NPO leader should understand and accept the inevitable process of growth and change as part of their core values.

- NPO boards should not avoid discussion of the founder transition, particularly when the founder first communicates thoughts of leaving.

- NPOs should be proactive about leadership succession planning, with documented plans for different types of succession. Succession planning should also be integrated into the strategy of an NPO, in order to develop broad capacity and skills, which can reduce the dependence on the founder.

- NPO leaders are poorly equipped to manage founder transitions. This suggests a need for training in basic change management, organisational development and specifically executive transitions, particularly at board level. It also suggests that NPOs require external assistance in successfully transitioning from the founder.

- NPO leaders tend to underestimate the magnitude and challenge of the founder transition which puts the NPO at risk.

Founder Transition Management

The successful management of a founder transition requires knowledge and skills of the key milestones, opportunities and pitfalls of this nature of transition. The six primary lessons from the NPOs in this study provide insight into key aspects of managing founder transitions:

- The founder transition is an intensely emotional process for founders, and to some degree for staff and the board. This aspect requires skilled leadership and management to assist everyone to consciously make the emotional transition.

- A particular risk during the founder transition is the breakdown of trust between colleagues, which has the potential to derail the entire process. Therefore, the maintaining of trust and unity is key to a successful transition.

- Founders by nature have significant influence in organisations and therefore any post-succession role of the founder needs to be particularly well-defined and allow for the successor to consolidate their leadership role.

- Change is not easy and therefore requires informed and intentional leadership and management skills to drive and consolidate the desired change successfully for the long term.

- The assistance of an external consultant or coach skilled in change management, organisational development and executive transitions has been invaluable to NPOs in managing the founder transition.

- Founders often hold key networking relationships (mainly donors, government officials, partners and colleagues) and need time to hand them over in anticipation of succession. Founders can begin this process long in advance of their succession, distributing donor relationships over a number of staff, thereby enhancing financial sustainability. Successors will be required to develop their own networks, which is a key skill for NPO leaders.

Challenges of Founder Transitions

Five main challenges experienced by NPOs in this study provide an opportunity for NPOs to prepare psychologically and practically for such challenges. Since each NPO is unique, they may not experience each challenge, but can be alert to the possibility that they may, and be proactive rather than reactive.

- A major challenge for founders is letting go of meaningful relationships, control, identity, and/or position. This needs to be openly acknowledged by the board and support for the founders encouraged and provided.

- A major challenge for board members is being ready and equipped to take the leadership role in the founder transition. They may have relied too much on the founder, or they may need to make difficult decisions that bring them into conflict with the founder. Leading the transition also requires more of their resources (time, skills and personal) or they may only have served a short period of time and feel unable to make such significant decisions required during the founder transition.

- Managing founder transitions effectively generates specific costs, and NPOs should consider founder transitions in their budgeting process, or fundraise specifically for the transition when the time comes.

- Some donors remain loyal to the founder and NPOs may experience a decline in funding as a result of the founder transition. NPOs can anticipate this.

- Finding leaders for top positions in NPOs is perceived as difficult. Recruiting an insider or outsider depends on the circumstances of the NPO, and both have advantages and

disadvantages. The expectations from the board, the founder, the staff, overseas funders and other stakeholders as to who would be the right fit, are often competing. NPOs value transformation in leadership. The board needs to consider carefully the main criteria for the successor. Most successors did not have a long-term term tenure, suggesting that successors are poorly chosen, or that the transition process is poorly managed and successors are set up for 'failure', or the appointment of interim successors is underutilised.

5.5 Study Recommendations

The key findings and lessons learned offer valuable insights into the experience of founder transitions in NPOs in the Western Cape. Seven recommendations are made for NPO boards:

1. Set aside sufficient time to plan the founder transition

The board should ensure they give the organisation enough time to work through the psychological, emotional and practical steps of the founder transition. Depending on the circumstances of the founder, NPOs can consider 18 months of preparation before the actual founder succession event. The board should be proactive about planning for the founder transition, responding immediately to any communication made by the founder about succession, and keeping succession planning on the board agenda.

2. Engage the services of an expert/s to guide and support the founder transition

NPOs need guidance and support in planning for and managing founder transitions to mitigate the risk posed by the challenges of the process and the evidence of a tendency to underestimate these challenges. It is recommended that the board seek assistance from an expert/s external to the organisation to provide guidance and support in managing the different aspects of the transition process. The expert/s can bring a level of objectivity during a transition that is emotionally charged and the potential for mistrust can easily develop. They can also skillfully flag issues in advance and help facilitate the process, which is complex. They should ideally have specialist knowledge and skills in the areas of change management, NPO leadership, organisational development and/or coaching. Because of the diversity of guidance

and support needed, the organisation may require more than one person. At minimum, boards are encouraged to reach out to other NPOs who have experience in founder transitions in order to learn from them and gain support.

3. Build a strong board prior to the founder transition

The governing board plays the most significant role in the founder transition, as they lead the process, and need to be able to withstand the pressure and overcome the challenges that the founder transition brings. They have the responsibility for making decisions regarding organisation strategy, planning, budgeting and the appointment of executive staff, which are all key responsibilities during a founder transition. The board therefore needs to be in a position of strength in order to execute its role skillfully. Board members should not be too newly recruited, being unable to make significant decisions about the organisation's best interests, or nearing the end of their tenure, without enough time and energy resources to see the organisation through its transition, which could last for a few years. Board members need to be confidently serving in their role as governors and therefore able to hold founders to account. They are best suited to do this if they have not been recruited primarily by the founder. A strong board therefore is independent of the founder, skilled as governors, familiar with the nonprofit sector, and committed to the long-term best interests of the organisation.

4. Engage in integrated leadership succession planning

NPOs should build a culture of planning for the continuity of information, processes and relationships when staff move on. It is recommended that NPOs engage with issues of leadership development, continuity and transition through the integration of succession planning into the organisation's processes (e.g. strategic planning) and systems (e.g. performance appraisals). The issue of succession planning should be a regular feature on board meeting agendas, to be discussed at least annually. Succession plans should also be documented as part of the organisation's policies and procedures, such as an Emergency Succession Plan or an Executive Leadership Succession Plan, which assist to prepare for the planned and unexpected exit of key people. Boards should ensure that staff are given opportunities to lead and not simply attend leadership training. NPOs should focus on

developing strong diverse teams, reducing dependency on any one leader, and so increasing the resilience of the organisation during a time of leadership transition.

5. Budget for the founder transition

NPOs should budget for specific founder transition related costs, enabling them to manage the transition more effectively and to make the most of the opportunity for change and renewal. The board should demonstrate the value of staff and the organisation by allocating a budget for the founder transition, such as consultant services, a specialised recruitment process, a market-related salary for the successor, a retirement package for the founder and/or a celebration for the founder. The donor community may need educating about the importance of founder transition funding.

6. Plan any post-succession role of the founder with specific boundaries

The power and influence of a founder cannot be underestimated and therefore NPOs should plan any post-succession role for the founder carefully and thoughtfully in order to give the founder transition the best possible chance of succeeding. Once the founder has handed over to the successor, it is important to give the successor and staff the opportunity to consolidate the new leadership structure. Should the founder have no extended role within the organisation post-succession, it is recommended that they make a clean break from the organisation in order to support the new leadership. In cases where the founder has offered time for ad-hoc consulting with the successor, any communication with the founder should be at the successor's request, and preferably off site. In circumstances where the founder has a continuing working relationship with the organisation, for example as fundraising consultant or ambassador, the role should be well defined and agreed upon by the successor. It is recommended that the founder's new responsibilities are focused on the external environment and not the internal structure (e.g. as board member where the successor would 'report' to the founder), and that the successor maintains the highest executive authority.

7. Appointing and supporting a successor

It is critical for the board to consider what the organisation needs in a successor, considering the organisation life stage, strategy as well as leadership transformation. This is a challenge in itself. The board should also consider the possibility of a change in leadership structure, spreading the founder's responsibilities over more than one person. It is of particular importance for a founder's successor to be a confident and strong leader, with healthy relationship boundaries and the courage to be themselves. They will inevitably be compared with the founder and possibly be confronted with staff reaching out to the founder for support during the stress of transition. The board in turn should support the successor by trusting them to do their job and by reinforcing the new leadership structure and boundaries with the founder. Should the board struggle to find a successor before the founder leaves, it is recommended that an interim leader be appointed. This reduces the risk of an unwise appointment and may be just what the organisation needs in terms of skill set in the short-term or someone to bridge the gap between the founder and a new long-term successor.

5.6 Suggestions for Further Research

During this research study, the following questions emerged that can serve as suggestions for further research:

1. NPOs, founder syndrome and transformation
   It has been suggested that NPOs are slow to transform their leadership because of a dependence on founders. What are the circumstances under which NPO founders leave? Are NPOs dependent on their founders and how does this influence transformation?

2. Who are the successors, how long do they last and why?
   Do NPOs appoint successors to founders from within organisations (insiders), or not (outsiders)? Are they from the NPO sector or other sectors? How long do they remain in their positions and what are the factors influencing the length of their tenure?

3. How equipped are NPO boards for leading founder transitions?

Many individuals on NPO boards are highly skilled, but how knowledgeable and experienced are they about the NPO sector and more specifically about executive transitions? What do they need in order to lead founder transitions effectively?

5.7 Conclusion

The significant contribution of the nonprofit sector to social welfare and development in South Africa requires nonprofit organisations to be sustainable. A critical time of risk in the growth of an NPO is the founder transition. This study examined the succession planning and transition management practices of NPOs in the Western Cape. The findings reveal how these NPOs understood, prepared for and managed their founder transition. They indicate that these NPOs experienced significant challenges during their founder transition, and that some NPOs have experienced significantly negative consequences as a result of the transition process. Lessons gleaned from NPO experiences have informed the study recommendations, which provide a guide to NPOs in managing a successful founder transition and thereby enhance sustainability. In addition, the commitment to transformation in South Africa suggests there is possibly more pressure for NPO founders to hand over to new leadership, and this study highlights the necessity for NPOs to timeously and diligently prepare for founder transitions in order for them to be successful.

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APPENDIX A: Interview Schedule (NPO Representative)

"Leading for sustainability: an exploratory study of founder transitions in nonprofit organisations in the Western Cape."

Dear [Name of Participant]

Thank you for making time to take part in this research. I really value your contribution. This interview forms part of my master's thesis. My research study is an exploration of the experience of founder transitions in nonprofit organisations (NPOs) in the Western Cape. The interview should take between 45 minutes and an hour. Your participation in this interview is voluntary, so if you would like to stop at any time please feel free to do so. All responses will be kept private and confidential. I would like to confirm that you give permission for this interview to be recorded. There are no right or wrong answers to these questions. The purpose of this interview is to get your insights as a leader who has participated in a founder transition in an NPO. Also, if at any point you have questions or comments, please let me know. We will start with some short general questions about you and the organisation, and then we will move on to questions more specifically related to the research.

<u>Biographical Details</u>

1. Name:
2. Gender:
3. Name of organisation that experienced a founder transition:
4. Your position at the beginning of the founder transition:
5. Qualifications:

<u>The Organisation</u>

1. When was the organisation founded (officially registered as a legal entity)?
2. Who founded the organisation? If co-founders, what was the position of the non-CEO co-founder?
3. What was your role at the organisation at the time of transition?
4. Is the organisation still operating?

5. Do you currently have a role in this organisation? If no, how long did you work or volunteer at the organisation? If yes, what is your current role and how long have you worked or volunteered at the organisation?
6. Did the founder hand over their position voluntarily?
7. When did the founder succession take place?
8. Was the founder's successor an insider (i.e. an employee or volunteer at the organisation before succession) or an outsider?
9. How long did the successor remain in his/her position as CEO?
10. How many staff (employees and volunteers) did the organisation have at the time of transition?
11. What was the organisation's annual income and expenditure for the years over the transition period?
12. What is the legal registration of the organisation: voluntary association, nonprofit company (NPC) or trust?
13. Is the organisation registered as an NPO?
14. Does the organisation have Public Benefit Organisation (PBO) status?
15. Does the organisation have Section 18A exemption?

Objective 1 – Preparation for a Founder Transition

1. How long have you been actively involved in the NPO sector?
2. What role did you play in the transition process?
3. Could you explain what knowledge and skills prepared you for managing the transition process?
4. What other resources/services were helpful in preparing you personally for the transition process?

Objective 2 – Leadership Succession Planning

1. Who in the organisation was responsible for leadership succession planning and transition?
2. Could you describe the leadership succession strategy of the organisation?
3. Could you describe the succession planning systems or practices the organisation had in place? (e.g. succession plans, emergency succession plans, leadership development programmes, etc.)
4. Can you describe any other organisational management systems that supported CEO or executive succession?

Objective 3 – Founder Transition Process

1. Could you explain the process of the founder transition followed by the organisation? Are there particular stages/phases you can describe or a particular model that was followed?

2. Approximately how long did the transition process take? (e.g. from the time the founder announced he/she was leaving to when the new person settled in the position?)
3. What resources (both within and from outside the organisation) were available to the organisation to manage the transition process?
4. Who were the key role players in managing the transition? Please explain the roles played by the board, board chair, founder, successor, senior executive staff, staff and funders in the transition process?
5. What was the founder's role after the appointment of the successor?
6. How would you describe a successful founder to successor transition?

Objective 4 – Recommendations on how NPOs can manage founder transitions

1. What were the main challenges for the organisation to a successful transition process?
2. What were the main challenges for you personally during the transition process?
3. What recommendations do you have for NPOs to manage their founder transition?

General

Is there anything else that you would like to share that would be of value for this study, or that you feel we have not covered?

Thank you again for sharing with me in this interview. Your experience is so valuable.

APPENDIX B: Interview Schedule (Consultant)

"Leading for sustainability: an exploratory study of founder transitions in nonprofit organisations in the Western Cape."

<u>Biographical Details</u>

1. Name:
2. Gender:
3. Job Title/Position:
4. Qualifications:

<u>General</u>

1. Could you briefly explain what consultant services you offer?
2. In what geographical area do you work?
3. How long have you been actively involved in the NPO sector?
4. What role have you played in nonprofit organisation founder transitions?
5. Could you explain what knowledge and skills assist you in working with nonprofit organisations during their founder transitions?
6. Could you describe your experience of leadership succession planning strategies, systems or practices in nonprofit organisations prior to the founder transition?
7. In your experience, what facilitates a successful founder transition in nonprofit organisations?
8. In your experience, what are the challenges to a successful founder transition in nonprofit organisations?
9. What are your recommendations to nonprofit organisations on how to manage founder transitions?
10. Is there anything else that you would like to share that would be of value for this study, or that you feel we have not covered?

Thank you again for sharing with me in this interview. Your experience is so valuable.

DEPARTMENT OF SOCIAL DEVELOPMENT
CONSENT FORM

Dear [Name of Participant]

Thank you for participating in this research study conducted by me, Michelle Kempster, at the University of Cape Town, Department of Social Development. This form contains basic information about the research study. If you agree to participate, please complete your details below and then sign and date this document.

Research study title:

Leading for sustainability: an exploratory study of founder transitions in nonprofit organisations in the Western Cape.

Purpose:

The purpose of the study is to explore the experience of founder transitions in nonprofit organisations in the Western Cape as a key aspect of sustainability.

I am requesting that you grant me an interview that should take between 45 minutes and one hour and that I can record the interview. Participating in this study is completely voluntary, and you are free to withdraw at any time should you wish. All information provided during the interview will be treated confidentially. None of your personal or organisation's details nor your identity will be linked to any response that you will make. The time and venue for the interview will be negotiated with you according to your availability. There are no follow-up appointments after the interview.

Having read and understood the above, I agree to voluntarily participate in this study.

Name:
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Signature:
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Organisation:
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Date:
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