Interviews with Former Community Development Financial Institution (CDFI) CEOs:

Reflections on the Succession Experience

Commissioned by Appalachian Community Capital
Conducted by Stepping Stone Partners, LLC

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Introduction and Overview:

Appalachian Community Capital ("ACC") commissioned this succession planning report to capture insights from former Community Development Financial Institution ("CDFI") Chief Executive Officers ("CEOs") that have recently gone through the CEO transition experience. This study provides a resource for both current CDFI CEOs and CDFI Board Members and contributes to the development of succession planning best practices for both ACC members and the CDFI industry.

As background, ACC's CEO was interested in insights from former CEOs as she heard about and saw more leaders in the CDFI industry (including ACC's membership) express interest about moving to the next phases of their lives and careers. Several members expressed a desire to take steps to ensure they had solid succession policies and plans in place. In 2020 and early 2021, ACC -- working with a consultant --held webinars on succession planning and provided one-on-one coaching sessions to interested persons. Ideally, ACC would have preferred to have invited former CDFI CEOs to an in-person roundtable with current Appalachian CDFI CEOs as part of a peer-to-peer learning event. However, COVID-19 prevented an in-person meeting from happening so, like so many others, ACC pivoted and interviewed the former CEOs about their experiences and recommendations to include in a written document.

In this briefing, seven former CEOs, all of whom oversaw transformational growth and innovation at their organizations, describe their experiences, share perspectives, and offer lessons learned on the succession process. These CEOs include three in the ACC membership and four representing other parts of the country. Demographically, two women and five men; two CEOs of color; ranging in age from mid-50s to mid- 70s were interviewed. The CEOs led their organizations for between nine and forty years; they include five founders and two successors to founders. Geographically, interviewees represented CDFIs based in California, Texas, South Carolina, North Carolina, Pennsylvania, and Maine. Their organizations ranged in size[1] from nearly $20 million to over $500 million, and covered microlending, small business, community facility, and housing lending.

In this paper, we explore several themes:

- Decision to leave: How did the decision to plan their exit come about?
- Succession plan: What did the succession plan look like? Recommendations for improvement?
- Succession process: How did it work? How long did the process take?
- Role and responsibilities: What roles did Boards and CEOs play to navigate succession?
- Selection of the new CEO: What were the results of the search and selection process?
- Staff engagement: How was the staff involved, notified, and engaged?
- Celebration: How was the CEO's tenure celebrated?
- Transition mechanics: How were compensation and ongoing involvement handled?
- New beginnings: What has life been like since transitioning?

[1] On balance sheet total assets as reported in the 2019 OFN Side-by-Side report

- Looking back: What are you most proud of from your tenure?

Findings on each of these topics are summarized within each section and illustrated with quotations from those interviewed. Specific names are not attached to each quotation to protect confidentiality. In addition, some comments have been slightly paraphrased for conciseness.

Based on themes emerging from the interviews, this paper sets forth the following four recommendations. These are alluded to throughout the paper and explained in more depth at the conclusion.

Recommendation 1: Compensation and post-departure guidelines

Much more work is needed to set out guidelines for CEO departures for both retirement compensation and protocols for ongoing interaction between the former CEO and the organization. As detailed in this paper, there are no guidelines for CDFI CEO retirement compensation; and, most unfortunately, there are few examples of positive negotiation of retirement packages in the CDFI field. This is an important oversight which not only affects those contemplating retirement but could affect the ability to attract high quality leaders to CEO roles. Developing such guidelines should be a Board-level responsibility.

Recommendation 2: Board composition and responsibilities

Having at least one, and preferably a few board members with experience serving on a previous nonprofit Search Committee is an incredibly valuable, and rarely articulated, characteristic. Indeed, the presence of a Board member with this background seemed to characterize the difference between successful and less successful transitions. This skill set, which the study reveals was present in less than half of the organizations reviewed, will also enhance the Board's ability to lead the overall succession planning of the organization as a strategic and sustainability priority, even if an imminent leadership change is not expected. While more common, an additional responsibility of the Board to highlight is the importance of developing and implementing a strategic communications plan once a new CEO has been selected to reach all internal and external stakeholders.

Recommendation 3: Former CEOs as an untapped resource

Former CEOs represent an underutilized asset to the current leadership ranks at CDFIs, beyond their own organization. Many of the CEOs interviewed referenced that they are coaching young and BIPOC CDFI leaders in an informal way. At a time of unprecedented growth in the CDFI field, it is easy to imagine the value that an experienced cadre of retired CDFI CEOs might bring to today's leaders. It would be worthwhile to develop a structured program to involve more CEOs in executive coaching, mentoring, or other initiatives which leverage their talents to advance the work and mission of community development. Models such as SCORE or Vistage could be adapted to the CDFI field.

Recommendation 4: Current CEOs should prepare for the personal impact of transition

Recently retired CEOs urged current CEOs to prepare for the impact of this transition on themselves personally. Especially for those who are not moving to a new full-time role, or at least not one that has been identified at the time of their departure, former CEOs advise colleagues to give retirement more thought and planning. While all interviewed thought they were prepared, the reality of stepping away from an organization and role that has defined one for a long-time, is very difficult. This recommendation is best expressed in the words of one former CEO, who said: "It's hard to have relationships truncated. You have to distance yourself from a time and place that defined so much of your life. It is difficult."

We want to thank each of the former CEOs listed below for participating in this initiative.

- Nancy Andrews, Low Income Investment Fund
- Gary Lindner, PeopleFund
- Lenwood Long, Carolina Small Business Development Fund
- Deborah McKetty, CommunityWorks
- Ron Phillips, Coastal Enterprises, Inc.
- Mark Peterson, Bridgeway Capital
- Eric Weaver, Opportunity Fund (now Accion Opportunity Fund)

Appendix 1 provides an overview of each leader, their organization, key accomplishments during their tenure, and an overview of the leadership succession.

Appendix 2 includes a listing of succession resources referenced during these interviews including books, online resources, and search firms.

Appendix 3 contains an organizational overview of Appalachian Community Capital, the sponsor of this study, and Stepping Stone Partners, LLC, the organization commissioned to conduct the study.

Section 1: Decision to leave: How did the decision to plan their exit come about?

As mentioned in the introduction and overview, the tenure of the CEOs interviewed ranged from nine years to nearly forty years. Five of the seven CEOs founded their CDFI and led it to become a state, regional, or national powerhouse community development organization. The other two CEOs succeeded the founder, had long tenures, and led transformational change and dramatic growth at their organization.

The motivation to leave varied by individual and consisted of a mix of reasons, including personal circumstances, organizational inflexion points, and anticipating retirement, as reflected in following comments:

- "It had been on my mind for several years, but it was ultimately personal circumstances that led me to conclude that now was the time."
- "The growth of the organization had reached a point where I didn't necessarily have the skills or interest in leading such a large, spread-out, and complex organization."
- "I sensed it was the right time and I had the comfort of knowing a strong bench of talent was in place."
- "Whereas in the past, our regular strategic planning always filled me with new energy, this time I had a harder time seeing where we needed to go. That was a signal that perhaps it was time for new leadership."
- "I hit a milestone age where it was time to start those conversations with my board."

Most of those interviewed had reached an age where the standard retirement age in the U.S. of 65 was either in sight or recently passed, which naturally triggers considerations of transition. However, the statements above suggest additional motivations related to the stage of the growth of the organization – either that it had reached a talent bench strength to carry on without close oversight of the CEO (much like a parent giving their child roots and wings) or a recognition that they might not have the interest or skills to lead their organization to the next level. In addition, in at least a couple cases, health challenges of loved ones, or in one case health challenges facing the CEO, played into the decision to transition away from the all-consuming role of CEO.

Section 2: Succession plan: What did the succession plan look like? Recommendations for improvement?

We asked the CEOs to characterize the state of succession planning in their governance documents, with a distinction between emergency succession and planned succession. Virtually all mentioned that there was a documented emergency succession plan. This was generally characterized as:

- Who should be notified?
- Who will step in on an interim basis?
- If needed, create a board committee to evaluate the longer-term need.

In some cases, an emergency successor was named in the document and in other cases it was less formalized. The CEOs did not distinguish between the emergency plan covering a temporary emergency (hospitalization) or a permanent emergency (hit by a bus), which might necessitate different actions. [2]

There was less uniformity around the planned succession. Most CEOs reported that they conducted extensive research and even attended workshops on succession planning to gather best practices, synthesize them, and make recommendations to bring to their board. Some of these resources are listed at the end of this document. Some CEOs reported that they felt they needed to lead the Board to have a discussion around succession policies, as characterized by these comments:

- "I looked into research on succession planning for non-profits and there's not much available; and none for CDFI leaders."
- "I provided some key resources to all Board members and hired a consultant to facilitate a succession planning retreat for the Board."

However, a few CEOs reported that their Board directed the format for development of a succession plan, which was reviewed by the CEO and Board every year. One framework reported to be successful was described as follows:

- "The Board directed us to keep the succession plan simple. For a planned succession, we outlined key process steps – which were essentially to name a Board Committee for CEO Search and to hire a Search Firm."

Another interviewee noted that most funders require Boards to have a succession plan in place, and that it is mission critical to have a plan in place, saying:

- "At a minimum, every organization must have an emergency plan. Beyond that, having a set of practices related to planned succession are really important for both good governance and for getting the CEO and Board to normalize talking about the subject of succession."

In one case, the succession time line overlapped with other strategic initiatives of the organization including reengineering operations and consolidation of locations, which created an opportunity to engage in dialogue around the organization's future. This strategic visioning process was aided by hiring an organizational consultant.

Most CEOs felt there was room for improvement related to planned succession, especially in partnering with the Board. Insights on specific opportunities for improvement are offered in following sections.

Section 3. Succession Process: How did it work? How long did the process take?

CEOs noted that there are generally three steps before the process begins publicly: 1) conversations with the Board Chair and perhaps one or two other trusted Board members, 2) announcing an intention to transition to the full board, and 3) informing the staff. The staff announcement is essentially the equivalent of making the news public. In some cases, CEOs reported that the first phase – Board chair conversations – occurred over a period of years. In other cases, that first phase was a matter of a few weeks.

[2] The resources in the Appendix 2 provide templates for both types of succession plans.

Announcing the decision to the full Board typically coincided with the formation of a Search or Succession Committee of the Board. This Committee might work confidentially for a period of months to develop a project plan, interview potential consultants or search firms, and prepare for a more comprehensive search announcement. Once announced, the Search Committee manages the search process, usually with a search consultant, and reports back to the full Board for input and decisions. This phase lasted from between four months to fifteen months, and in almost all instances, took longer than originally anticipated.

CEOs noted varied experiences with the search process. One factor which seemed to characterize more successful search experiences was having Board members with experience leading CEO transitions at non-profits. In these cases, CEOs reported that this was a crucial success factor as follows:

- "Our Board Chair had served on other high performing boards and been involved with three previous non-profit transitions."
- "Our Search Committee was led by a Board member who had been on a number of other Search Committees of other non-profit organizations. Absolutely critical to have that skill set on the Board."

On the other hand, some CEOs reported that they needed to drive the search process forward, which created challenges and some discomfort as they recognized that the Board needed to ***own*** the decision of selecting the new CEO. More than half of those interviewed expressed this dynamic as follows:

- "Overall, the Board did not anticipate the time and energy required to oversee a leadership transition. In retrospect, we realize that none of the Board members had experience leading a CEO transition, and as such, I had to project manage the transition."
- "The succession process requires a bit of a dance. The CEO needs to keep the process moving forward, but the Board makes the decision."

Specific recommendations on this topic include:

- Identify CEO transition experience among current and prospective Board members as a key characteristic.
- Succession plans need greater clarity around the responsibilities of Board members not only to select the new CEO but also to project manage the process or ensure that search consultants are prepared to offer that service.

Section 4: Roles and responsibilities: What roles did the Boards and CEOs play to navigate succession?

Delving further into the topic of the roles of the Board and CEO in the succession process, we asked each interviewee to share their advice to both Boards and CEOs having recently gone through the process.

Advice to Boards and Board Chairs generally related to their taking a proactive approach to the topic of succession:

- "This is the Board Chair's responsibility to think about succession – both emergency and planned. Help navigate these conversations. Bring in a consultant to facilitate if it would be helpful."
- "Confront the topic of succession head on. Have the conversations."

- “There must be true transparency between Board Chair and CEO. If an issue comes up, deal with it directly, ethically, and fairly.”
- “Regular conversations about succession help ‘depersonalize’ the topic – it helps to think about succession planning for the ‘role’ rather than the ‘person.’”
- “Remember the whole process makes staff uneasy, so communicate or meet with staff regularly throughout.”
- “Start succession planning as soon as possible. Planning ahead for multiple years allows stakeholders to prepare for a change in leadership and allows the Board to prepare and be careful about their challenging role.”

Advice to CEOs fell into two broad categories; the first related to the commitment to build strong Board relationships and the second related specifically to the succession process. On building a strong Board, leaders shared these insights:

- “Most people look to their Boards to provide power, money, and wisdom, but what I wanted most was wisdom. I found it particularly helpful to have Board members who were themselves CEOs – they understood the accountability and stress of the job.”
- “I started out with a fairly passive approach to building a board, but increasingly became more deliberate and intentional. Now, I can’t say enough about the importance of building a good Board, and especially the relationship with the Board Chair.”

Despite good intentions to build an independent Board, one CEO acknowledged that:

- “No matter how strong your Board members are, it is still difficult to say ‘no’ to a long-time leader.”

A similar sentiment was echoed by another CEO who said:

- “My board said no occasionally, but they managed to do it in a way that made me feel it was in my own best interest.”

Another articulated the fundamental responsibility of the current CEO to achieve a successful transition:

- “The CEO needs to ensure that the organization succeeds through a challenging period of change. There is always a balance between the role of the Board and the responsibility of the current CEO.”

On the topic of advice to current CEOs considering transition or broaching the topic of succession planning, the advice reflected personal experiences and insights, such as:

- “Be honest with yourself about recognizing the right time to step away. To prepare to leave, develop your staff.”
- “This will be personally hard. Find someone to work with to prepare mentally for the transition both personally and organizationally.”
- “Consider hiring an executive coach. If it’s the right one, it can really help.”
- “Start early. Don’t wait for a crisis.”

- "Even though it feels risky, recognize that succession is a reality. Every CEO should be willing to have this conversation. It's ok if the planned succession conversation focuses on process – it helps set the stage for conversations that may come in the future."

Section 5. Selection of the new CEO: What were the results of the search and selection process?

At the seven organizations interviewed, the new CEO was chosen from one of four backgrounds: An outsider with experience in the CDFI industry (3 new CEOs); a current Board member (2 new CEOs); an internal candidate (2 new CEOs); or outsider with experience in a related industry (1 new CEO)[3].

Five of the organizations used national Search Firms (Russell Reynolds, Korn Ferry, Isaacson Miller, Koya Leadership, and CarlsonBeck); and the other two recruited candidates known to the search committee from their local market. (List of search firms found in Appendix 2).

The selection process had a few common elements, and yet, each organization's journey was unique. Common elements included involvement of the CEO in providing input on the job description, the establishment of a search committee charged with leading the process; and in most cases, hiring a search firm. Most of the CEOs indicated that they were interviewed by the Search Firm, met with, or were asked to share their insights on candidates in early stages of interviewing. All indicated they were **not** asked to offer an opinion on the finalists. However, beyond these similarities, the search experience played out in different ways as illustrated below.

In two cases, the search process resulted in unexpected changes to the initial search parameters. For one organization, the CEO's decision was in part triggered by the retirement of a highly capable Chief Operating Officer. In a discussion about hiring a new COO, one of the Board members suggested to the CEO that the caliber of candidates would be much stronger if they launched a search for a new CEO. This was one of several factors that convinced the CEO to start the transition process. In this unique situation, the current CEO intended to stay with the organization he had founded, but to take a less active role in running the organization. By moving into a Founder/Senior Advisor role, he was able to open the CEO search up to candidates with the skills to lead the organization in that role. While the search firm admitted they had never seen this scenario and were at first skeptical, upon interviewing the CEO, they endorsed it as a strategy. This was fully disclosed to all candidates and the interview process (though not the final decision process) included the CEO.

For another organization, the initial search sought a replacement for their long-time President and CEO. Yet, as the search narrowed to two finalists, the Search Committee presented to the Board the unexpected recommendation to hire both finalists, splitting the roles of CEO and President. This model is more akin to corporate models and reflected the increased size, sophistication, and management needs of the organization.

For two other organizations, the search process exposed tensions between the Board and CEO which resulted in departures tinged by regret. In one organization, the Search Committee brought forward two finalists for the senior staff and board to interview, and the two groups had distinctly different preferences for final selection. The Board had the final responsibility to select the next CEO and chose

[3] Adds up to 8 because at one organization the President and CEO was replaced by two people, splitting the role.

their preferred candidate. However, the stark difference of opinion perhaps reflected a misalignment between Board and Management, which has subsequently resulted in several senior staff departures.

In another organization, the former CEO reported that the Board selected an outsider to lead the organization mid-way through the search process and asked the CEO in place to step down. This abrupt action, in what had been perceived to be an orderly process, was disruptive to the staff of the organization, as well as painful to the long-time CEO.

In the other three organizations interviewed, the process proceeded more predictably. One organization selected a longtime Board member who was well known to senior staff. In another a current leader inside the organization was selected among two internal candidates, although as described in the next section, this involved extra responsibility. And finally, the third of these recruited a well-known local industry expert.

In summary, while all seven organizations went into the search process with certain expectations of a predictable process, as these experiences demonstrate, the path to transition can have a high probability of unexpected turns and outcomes.

Section 6. Staff engagement: How was the staff involved, notified, and engaged?

CEOs noted the impact of CEO transition on their staff. Even before a transition is announced, staff are aware of the potential for disruption that a CEO transition has on the organization and on their lives. One CEO reflects:

- “We should have shared the Succession Plan with staff more openly, taking care to remove specific names. It would have provided a level of assurance to staff that there was a plan.”

Once a transition is announced, other CEOs noted the importance of ongoing communication about the process to staff. One CEO said:

- “Communicating regularly with staff during the period between the announcement of the search and the selection of the new CEO is often a multi-month process. We sent out an email update to all staff monthly during the search.”

Once the selection of a new CEO was made, the communication process involved many stakeholders from funders, to partners, and perhaps most important, staff. In virtually all cases, the Staff were not involved in the search process except for one CDFI in which there were multiple internal candidates. The former CEO described the situation as follows:

- “We had more than one internal candidate among the finalists, and wanted to retain both, knowing one would be selected and the other one likely to be disappointed. As a result of that, we were very transparent about the process and communicated the decision with a lot of respect to both candidates. We were also very intentional in our communication to all staff to signal our support for the talents and contributions of both candidates. It’s very *important to think about how things will land in your communication*.”

For the others interviewed, CEOs outlined common principles of a communication cascade:

- Identify the various stakeholders (Board, Senior Staff, All Staff, Funders, Partners, the Public)

- Determine the message to deliver (About the new CEO, transition timing, role of former CEO)
- Determine how the message should be delivered (in-person, phone, email) and by whom (Board, former CEO, Senior Staff)

Most described this as a highly choreographed process, with those being "pre-notified" asked to keep the information private until it was announced publicly. In general, the staff was notified shortly before the public announcement was made.

Once the announcement was made, there was generally a gap of a few months before the new CEO started full time. CEOs noted the ways in which the incoming CEO interacted with staff that were effective, such as:

- "Incoming CEO came to a staff meeting after his selection and won people over with his warmth and emotional IQ."
- "While the incoming CEO was not able to fully on-board for a few months, she used the interim time to visit frequently and build relationships with staff members."
- "After the announcement of the new CEO and before she officially started, she attended an all-staff retreat. It gave people a chance to get to know her."

The timing gap also provided a leadership development opportunity for the organization's staff, as one CEO explained:

- "During the interim, two senior staff we had committed to develop did a great job running the organization."

Yet, the departure of a long-time CEO is a loss experienced by staff and sometimes resulted in more turnover than expected, as explained by the former CEOs:

- "Staff experienced sadness at the CEO leaving -- they had strong loyalty to him and appreciated his leadership. Several senior leaders have since left."
- "In a situation where the official announcement differs from what they have heard along the way, it breeds distrust, and results in low morale. It's not surprising that over the subsequent months, many staff leave."

Even if there is not staff turnover, CEOs recognize their departure is an opportunity for the organization to grow, which could not happen while they were still at the helm:

- "Sometimes a long-time leader develops into almost a 'cultish' figure among staff, and a transition is a chance to remake the culture away from that dynamic."

While there may be a temptation to think the work of the search committee is over with the selection of a new CEO, the experiences outlined above clearly illustrate that the transition process is a critical time for the organization. Thinking about how communication will land on different constituencies is an element of the emotional intelligence cited by one CEO as key to navigating this transition successfully.

A key recommendation from these experiences arises:

- Recognize that the work of the CEO transition does not end with the selection of a new CEO. The work of communicating to all stakeholders is an important step in transition. The Board, members of the Search Committee, the new and transitioning CEOs, and key leaders of the organization should work together to develop and implement a strategic communications plan around the announcement of the new CEO.

Topic 7: Celebration: How was the CEO's tenure celebrated?

Celebrating the tenure of a long-time leader is important for both the person and the organization. Most of those interviewed noted that their tenure was celebrated at multiple events, most often a large gala that coincided with a regular fundraising event; and a second smaller (though not small) event that was more focused on staff and family.

Most CEOs reported these events were highly successful and made them feel great. Many cited how important it was that their families were able to join the celebration**.**

These comments illustrate the importance of the events to the organization and to the individual:

- "Big public event was billed as a tribute to both me as departing leader and welcome to our new CEO. It felt great that my kids came."
- "At our big annual fundraiser with over 600 people, I was given an award and the new CEO was announced and introduced. A second smaller retirement event with about 150 people was more personal. It was really great. I felt acknowledged and celebrated."
- "A large reception was held – staff, community partners, former board members, and my family were invited. The staff put together a binder of client success stories – which were a hallmark of my tenure – I always called them the 'fire that fuels our work.' I had an opportunity to share how this had become my life's work."

Other CEOs noted that other leaders from the industry travelled long distances to attend their celebratory event, reflecting the camaraderie of the field and in some cases, decades of shared experience battling for social and economic justice. Some received industry or coalition awards at the time of their departure or soon thereafter, providing further opportunities to acknowledge their contributions to the field and celebrate the history of their organization, its milestones, and impact on underserved communities.

Topic 8: Transition completions: How were compensation and ongoing involvement handled?

This section covers compensation, whether it was defined as retirement or transition pay, and the variety of ways that former CEOs viewed their ongoing involvement with the organization they had built and transitioned from.

On compensation, we asked the CEOs whether they had negotiated any form of retirement pay upon leaving. This turned out to be a bit of a fraught topic, with little road map for how to navigate the conversation. As one CEO said: "I had little knowledge and few expectations."

As a positive case example, one CEO acknowledged that she like many others did not know how to approach the topic. After calling a few trusted friends, she looked at available data from their compensation company (Quatt) related to retirement packages and proposed a figure to the Board which she felt was affordable to the organization in terms of amount and payout over time. She was gratified to have the Board not only accept her proposal but somewhat increase it.

Sadly, this positive case was the exception. In most cases, the lack of clarity produced a sour note offsetting the positive goodwill created by the celebratory events described in the previous section.

Some reported that their efforts to open a dialogue about retirement pay were met with a lack of support from their boards, as illustrated by comments such as these:

- "My request was rejected out of hand. The Board sent the message 'why should we pay you since it was your decision to leave?' "
- "In preparing to hire a new CEO, we looked at the level of compensation the CEO should be making for an organization of our size. It was clear that the compensation for the new CEO should be substantially higher than what I was making. While the Board adjusted my salary to reflect market conditions, the Board still made me feel uncomfortable about requesting a retirement package."
- "I took to the Board the framework that 1x salary was a reasonable package and 2x salary would be a generous package. I felt the organization could afford this. Ultimately, what they offered me had so many strings attached that I turned it down."

This represents an important topic for Boards to address and perhaps for industry guidance or frameworks, whether that guidance is narrowly defined for the CDFI field or more broadly for nonprofit or community development leaders.

Another topic for which there was little guidance involved how CEOs engage with the organization post-transition. Of the seven CEOs interviewed, two stayed involved with the Board following their transition, one as a voting member and one as a non-voting member. They expressed appreciation for both the ongoing connection as well as need to walk a fine line:

- "I'm careful to never pry into areas that might be sensitive or to ask fellow Board members how the new CEO is doing. But it is great to see the staff and hear about what's going on."

The majority of those interviewed did not serve in an official capacity on the Board, and a few stated their opinion that former CEOs should not be on the Board. They expressed strong agreement about stepping aside and not interfering with the new leadership:

- "While I continue to be a resource to the new CEO, I am intentional about not getting in the way and giving them space to lead."
- "It is your duty as former CEO to get out of the way; to back off; let your successor run the show."

While agreeing with the "do not interfere" sentiment, others recommend the post-transition time would benefit from guidelines for how the CEO would engage with the organization, especially when they continue to live in the same community. A post transition checklist might include topics such as:

- Access to archives – email, documents, books
- Contact person for routine inquiries
- Technology support such as email address, laptop, and access to the IT help desk
- Protocols for communicating with staff members

Overall, the topic of the post-transition arrangements is one that needs further attention. Indeed, in reviewing resources listed in Appendix 2, none of them offer guidance on this topic. Yet as reflected in this section, having more support to navigate the post-transition relationship would be helpful.

Topic 9: New beginnings: What has life been like since transitioning?

Since leaving their posts as long-time CEOs, two of the seven interviewed have moved into new paid positions. The remaining five continue to be engaged in the CDFI industry, in a consulting or volunteer capacity. Across the board, those interviewed echoed the sentiment expressed by one: “I love this industry and the people; and have found ways to stay involved.”

Equally strongly, former CEOs urge current CEOs to “not underestimate the impact this will have on you personally. Being CEO is a huge part of your identity.” CEOs reported missing aspects of the job that were part of the daily life of running an organization, such as:

- Technology and administrative support
- Running staff meetings and getting people to laugh
- People calling to ask your opinion
- Interaction with younger staff members – to learn from, teach, and mentor
- Having a platform to share your perspective and influence policy
- Archives of previous emails, papers, and other resources to reference

One former CEO expressed it this way:

- “It’s hard to have relationships truncated. You have to distance yourself from a time and place that defined so much of your life. It is difficult.”

CEOs also report a certain tension between giving the new CEO space and “staying out of the way” with a recognition that they have a certain level of goodwill which could be used as an asset.

- “While it is important to give the new CEO space, I still have long standing relationships with staff members, funders, and community partners. It feels tricky sometimes.”

Personally, leaders report pursuing sports and music as hobbies, and diving into new arenas such as international affairs.

What do former leaders ***not*** miss? Across the board, they do not miss the all-consuming nature of the CEO role, and associated stress. Fundraising and navigating difficult personnel issues were also frequently mentioned as challenges not missed.

Finally, advice on this topic falls into two categories. First, to the CEO preparing to transition:

- “Recognize that this transition is both personal and organizational. While you will naturally think about the organization, it is very important to think about the personal, and leaving as a bridge to something new.”

And secondly, to incoming CEOs:

- “Use your emotional intelligence to interpret your predecessor’s state and needs, recognizing that building the organization was someone’s life work. This deserves both honor and respect.”

Topic 10: Summing up, Conclusions, and Recommendations

We closed our interviews by asking the CEOs to reflect on what they are most proud of in looking back at their tenure and have recorded those responses. They are listed here:

Deborah McKetty, CommunityWorks: "The impact on people's lives."

Gary Lindner, PeopleFund: "The team and culture created at PeopleFund and all that we achieved."

Mark Peterson, Bridgeway Capital: "Putting $100 million to work to improve lives in low-income communities."

Lenwood Long, Carolina Small Business Development Fund "Keeping the organization alive and allowing people to fulfill their dreams."

Eric Weaver, Opportunity Fund: "Our impact and the culture we built."

Ron Phillips, Coastal Enterprises, Inc.: "Building an institution to carry on with the challenges of race, caste, class, and economic opportunity."

Nancy Andrews, Low Income Investment Fund : "Focusing on people **and** place, not just place."

Conclusions and Recommendations:

All the CEOs interviewed for this project made an incredible impact on the CDFI field, leading their organizations through periods of innovation, growth, and transformation and bringing to life their missions to provide opportunity to the underserved. Equally, they confronted the challenges of meeting payroll when the bank account was low, raising support, and managing an organization. They shared their experiences with the perspective of leaders who have been in the trenches, wrestling with how to achieve their missions while building a sustainable organization.

Acknowledging the generosity of these great leaders in sharing their perspectives on the succession process, and recognizing the unique value of their experiences, the following recommendations are put forward:

Recommendation 1: Compensation and post-departure guidelines

Much more work is needed to set out guidelines for CEO departures. There are no established guidelines or visible resources for retirement compensation for CDFI CEOs. The absence of guidelines is inefficient as many CEOs reported having to do their own research on the topic and the lack of guidelines increases the potential for friction between the CEO and Board. As detailed in this report, there are few examples of positive negotiation of retirement packages among those interviewed. This is an important oversight which not only affects those contemplating retirement but could also affect the ability to attract high quality leaders to CEO roles. Developing such guidelines should be a Board-level responsibility. Public companies and many large private companies and non-profits typically have Compensation Committees which would address these topics. Yet that is not common among CDFI Boards, which raises an opportunity to charter such a committee. Related to navigating departures is another recommendation to create protocols or checklists for ongoing interaction between a former CEO and the organization to neutralize any potential discomfort.

Recommendation 2: Board composition and responsibilities

Having at least one, and preferably several board members with experience serving on a previous nonprofit Search Committee is an incredibly valuable, and rarely articulated, characteristic. Judging from the interviews, this characteristic seemed to define more successful search processes, and the lack of it was evident in less successful ones. Even if there is not an imminent expectation of a leadership transition, this skill set, which the study reveals existed in less than half of the organization's reviewed, might also address another opportunity, which is to enhance the Board's ability to lead the overall succession planning of the organization as a strategic and sustainability priority. An additional responsibility of the Board to highlight is the importance of developing and implementing a strategic communications plan once a new CEO has been selected to reach all internal and external stakeholders.

Recommendation 3: Former CEOs as an untapped resource

All the former CEOs interviewed shared a love for the community development industry and discussed ways that they are continuing to give back and stay connected. It is hard to not see this current crop of former CEOs, and CEOs that transition in the future, as an untapped or under-tapped resource to the industry. Indeed, many of the CEOs interviewed referenced that they are coaching young and/or BIPOC CDFI leaders in an informal way. At a time of unprecedented growth in the CDFI field, it is easy to imagine the value that an experienced cadre of retired CDFI CEOs might bring to today's leaders. It would be worthwhile to develop a structured program to involve more CEOs in executive coaching, mentoring, or other initiatives which leverage their talents to advance the work and mission of community development. Models such as SCORE, Vistage, or partnerships with executive coaching bootcamps might provide a framework for unleashing the potential of former CEOs to have continued impact.

Recommendation 4: Current CEOs should prepare for the personal impact of transition

Recently retired CEOs urged current CEOs to prepare for the personal impact of this transition. Especially for those who are not moving to a new full-time role, or at least not one that has been identified at the time of their departure, former CEOs advise colleagues to give retirement more thought and planning. While all interviewed thought they were prepared, the reality of stepping away from an organization and role that has defined one for a long-time, is much more difficult than anticipated. This recommendation is best expressed in the words of one former CEO, who said: "It's hard to have relationships truncated. You have to distance yourself from a time and place that defined so much of your life. It is difficult."

Appendix 1: Profiles of CEOs interviewed and the organizations they led

Deborah McKetty, CommunityWorks, South Carolina:

Deborah founded CommunityWorks in 2005 as Greenville Housing Fund and oversaw its expansion across upstate South Carolina and into microlending and consumer finance before she left in 2020. Months after her departure, CommunityWorks received a grant from MacKenzie Scott, which was a strong affirmation of the impact of the organization's work in the community. Deborah was succeeded by Tammy Hoy, the founder and former CEO of Low Country Housing Trust, now South Carolina Community Loan Fund. Having built a strong organization, board, and embedded strategic planning into the DNA of the organization, Deborah felt she could step away and accepted a leadership position with long-time local partner, United Way of Greenville. Starting that role at the beginning of the pandemic has been all consuming and very impactful, delivering direct relief to over 3500 families. In looking back at her tenure at CommunityWorks, she is most proud of "the impact we've had on people's lives."

Ron Philips, Coastal Enterprises, Inc. ("CEI") of Maine, Maine:

Ron founded CEI in 1977 and served as CEO until June 2016, just shy of 40 years. The accomplishments include developing a model of community economic development in a rural state; engaging in policy advocacy to expand resources to the field; advocating for consumer financial protections; linking job creation with employment training; and including social services such as child care as essential to holistic community development. Ron was succeeded by Betsy Biemann, a former CEI Board member, as the new CEO and Keith Bisson, a long-time CEI leader as the new President. Since leaving, Ron has been involved with community efforts in his hometown of Waldoboro, Maine, including a historical mural in a low-income community celebrating the town's role in the Underground Railroad. He is most proud of "building an institution in Maine to carry on with the challenges of race, caste, class, and economic opportunity."

Mark Peterson, Bridgeway Capital, Pennsylvania:

Mark founded Bridgeway Capital in 1990 and served as CEO until he retired in November 2019, a 29-year tenure. During this time, Bridgeway grew to over $100 million in assets; established offices in Pittsburgh, Erie, and Uniontown; achieved $20 million per annum in lending volume; expanded financial products into small business, real estate, and nonprofits. After a national search, Mark was succeeded by Bridgeway's Chief Credit Officer, TJ Bogdewic, who had been hired three years previously. Upon retiring from Bridgeway, Mark serves as a Board member of Neighborhood Allies, the leading community development organization in Pittsburgh. He serves as a volunteer consultant helping to grow the Hill District Federal Credit Union, a Pittsburgh CDFI serving a local African American community. He has also mentored the CEO of a small local non-profit. He is most proud of "bringing a new $100 million to put to work to improve lives in low-income communities."

Eric Weaver, Opportunity Fund ("OF"), California and National:

Eric founded OF upon graduating from Stanford Business School in 1992 as part of an initiative between the Silicon Valley Foundation and Silicon Valley Bank to do something meaningful around CRA. He stepped down from the CEO role in 2017 and continues to serve as a voting member of the Board and as a Senior Advisor to the organization. OF's early focus was on affordable housing lending and an Individual Development Account (IDA) program, which really took off and was at one time the largest in the country. In later years, the organization focused on microbusiness lending and New Markets Tax Credit lending. By the time Eric stepped down in 2017, OF had a small and microbusiness portfolio under management of over $100 million and was making over 3,000 loans a year. Through its partnership with Lending Club and its new alliance with Accion, OF provided technology-based lending nationally. Eric was succeeded by Luz Urrutia, formerly with for-profit CDFI Opportun and founder of a bank serving the Latino community in Atlanta. Since stepping down from the CEO role, Eric has moved across the country to Maryland, and has done some consulting with small CDFIs and mentored younger leaders of color. He is most proud of "our impact and the culture we built."

Nancy Andrews, Low Income Investment Fund ("LiiF"), California and National:

Nancy was CEO of LiiF for 20 years from 1997-2017, succeeding the founder, Dan Liebson, who ran the organization (then known as Low Income Housing Trust) for the first 13 years of its existence. Over her tenure, the organization grew from $35 million in Assets Under Management (AUM) to nearly $1 billion; expanded from 3 locations to now serving 31 states; and most importantly, LiiF transformed from a loan producer to an organization with a guiding mission of poverty alleviation as its platform, addressing housing, early childhood care and education, health, and workforce needs. Nancy was succeeded by Dan Nissenbaum, who came from the Urban Investment Group at Goldman Sachs and served as a long-time Board member of LiiF. Nancy reflects that she had originally planned to serve as CEO for 10 years, but the role gave her so much opportunity to grow and be creative, that she ended up staying for 20 years. Since leaving, she has pursued sports that she had not had time for and has nurtured an interest in international affairs. She continues to stay involved in the CDFI field, which she loves. She is most proud of "Focusing on people **and** place, not just place."

Lenwood Long, Carolina Small Business Development Fund (CSBDF), North Carolina:

Lenwood served many roles with CSBDF and its predecessor organizations dating back to 1989, including being one of the co-founders when the North Carolina Minority Support Center provided services to the minority credit unions in the state. He served as chair of the board, board member and as staff of the organization. As state funding for this program waned, under his leadership, the organization rebranded as The Support Center and as the Carolina Small Business Development Fund transformed to be a loan fund serving minority entrepreneurs, gaining access to SBA programs, and creating the first Western North Carolina Women's Business Center. At the time of his departure in 2018, CSBDF had grown to $40 million in assets. Lenwood's successor was Kevin Dick, formerly an Economic Development official with the City Government in Charlotte, North Carolina. After leaving CSBDF, Lenwood was appointed President and CEO of the African American Alliance of CDFI CEOs, an organization he co-founded in 2018. He continues to provide consulting and coaching to CDFI leaders. He is most proud “that he kept [CSBDF] alive and help fulfill the dreams of many people.”

Gary Lindner, PeopleFund, Texas:

Gary was recruited to the CEO role at PeopleFund in 2010 from AccionTexas (now LiftFund). He completed his transition out of the CEO role in late 2019. He was succeeded by Gustavo Lasala, who came from the CDFI and mission finance industry. Over Gary’s tenure, PeopleFund expanded from one location to nine across the state of Texas; obtained SBA Community Advantage, 504, and Microloan authorization; was awarded over $100 million in New Markets Tax Credits; experienced a five-fold increase in lending; oversaw three successful mergers/acquisitions; and created a twelve CDFI collaborative that provided low interest loans to veteran business owners. Gary’s intent upon leaving PeopleFund was to retire but he was subsequently recruited to a Managing Director role with Baker Tilly. He continues to support veteran businesses, serves on 5 non-profit boards, and spends time on a family ranch southwest of Austin. He is most proud of “the team and culture created at PeopleFund and all that we achieved.”

Appendix 2. Resources on Succession Planning

Books:

When Leaders Leave: A New Perspective on Leadership Change by Priscilla Rosenwald and Lesley Mallow Wendell

- Short (80 page) guide to both principles of effective leadership change and practical diagnostics. Appendix includes key questions to address in both emergency and planned transitions

The Founder's Dilemma by Noam Wasserman

- Part of the Kauffman Foundation series on Innovation and Entrepreneurship

The Nonprofit Leadership and Development Guide by Tom Adams

- Part of the Transition Guide series supported by the Annie E. Casey Foundation

Online Resources:

Annie E. Casey Foundation Executive Transition Series of Publications:

- Comprehensive resources on Leadership topics published 2004-2008 remain relevant today
- https://www.aecf.org/publications?facet%5B%5D=report_series%3AExecutive+Transitions+Series#filter-section
- Founder Transition study: https://www.aecf.org/resources/founder-transitions/
- Interim Executive study: https://www.aecf.org/resources/interim-executive-directors/

The Bridgespan Group: NonProfit CEO Transitions

- Robust set of resources published in 2016 covering:
- When a Founder Moves on
- 10 things a departing CEO should do to manage their transition
- https://www.bridgespan.org/insights/library/leadership-development/nonprofit-ceo-transitions-resource-center

The Management Assistance Group

- "Can Founders and Successors Co-Exist So Everyone Wins?"
- 8-page paper written by Mark Leach in 2006
- Characteristics of Founders, Successors, and Organizations that Help or Inhibit Mutual Success
- http://leadershipintransition.org/docs/tablefortwo.pdf

Compensation

- https://quatt.com/
- Compensation Study commissioned by OFN in 2012. Available for purchase from OFN for $300.
- Table of Contents viewed here: https://ofn.org/sites/default/files/resources/PDFs/Publications/CDFICompensationTableofContents.pdf

Search Firms and Other Professional Services Organizations:

These search firms were referenced by CEOs interviewed as either being used or considered for the CEO search:

Russell Reynolds

Korn Ferry

Isaacson Miller

Koya Leadership

Marcum LLC

Bridge Partners

Carlson Beck

Appendix 3. Study Sponsor and Writer

Study Sponsor: Appalachian Community Capital ("ACC"), led by President and CEO Donna Gambrell, commissioned this succession planning report to capture insights from former Community Development Financial Institution ("CDFI") Chief Executive Officers ("CEOs") that have recently gone through the CEO transition experience. Appalachian Community Capital is a CDFI lending intermediary created to raise capital for its 24 member CDFIs, which in turn, can fund small businesses and entrepreneurs in underserved areas in Appalachia. The members, many of whom have been operating for more than 20 years, and their affiliates manage over $1 billion in assets supporting economic development in Appalachia. CDFIs and other mission-driven development lenders serve as a critical source of capital for the region's small businesses, which are often underserved by traditional commercial banks.

Donna Gambrell, President and CEO, Appalachian Community Capital

Donna Gambrell was named President and CEO of ACC in 2017. Prior to her current position, Ms. Gambrell served as the Director of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund). She is the longest-serving and first African American woman to hold this position. During her tenure from 2007 to 2013, the CDFI Fund experienced significant growth, more than doubling funding under its flagship program, thus enabling a CDFI industry to provide affordable capital, credit, and financial services to low-income communities across the country. Ms. Gambrell retired from federal government service in December 2013. In addition to her current duties, Ms. Gambrell is a visiting, non-resident scholar at the Federal Reserve Bank of Atlanta and is a board member for the following organizations: Southern Bancorp, Inc., Association for Enterprise Opportunity, Low Income Investment Fund, Raza Development Fund, and Opportunity Finance Network. Ms. Gambrell received a B.S. Degree from Towson University in Baltimore, Maryland, and an M.S. Degree from New York University.

Study Writer: Stepping Stone Partners, LLC ("SSP") is a woman-led national consulting firm working with mission-driven leaders and organizations to achieve their strategic priorities. SSP has experience strengthening talent management practices and building organizational capacity with CDFI practitioners across the country in rural and urban communities. SSP also works with a wide range of investing organizations to stand up and scale mission investment programs which align with each organization's goals and characteristics. Our team has provided capacity building to thousands of community development practitioners and advised on over $500 million of investments in CDFIs.

Pam Porter, Managing Director, Stepping Stone Partners, LLC

Pam Porter leads Stepping Stone Partners, LLC, a national consulting firm that works with mission-oriented leaders and organizations to design and accomplish strategic priorities. Previously, Pam was a leader of Opportunity Finance Network for a nearly a decade, where she designed and managed funding and capacity building programs for community development leaders and lenders across the country.