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*Join Us in Our  
Continuing Discussions*

Has your organization experienced a founder transition? What tools were most helpful in preparing for such a transition? What should be avoided? We're interested in hearing from you on this topic. Send an e-mail to [info@wolfkeens.com](mailto:info@wolfkeens.com) or fax a response to 617.679.9700. We'll post your comments in the Publications section of our web site, located at [www.wolfkeens.com](http://www.wolfkeens.com).

# Working Paper

## Founders and Succession *Creating Effective Transitions*

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“Founder’s Syndrome” is a ubiquitous and sometimes intractable challenge throughout the nonprofit field. At Wolf, Keens & Company, we have worked with many organizations that continue to be run by founders. These charismatic individuals can offer a dynamic vision, enormous knowledge, a wealth of contacts, tremendous energy, and a palpable passion for the causes to which they have devoted their lives. Yet the boards and staffs of these organizations, and even the founders themselves, often express frustration with the subsequent directions that are taken and how things are working — or not. In these cases, everyone has a sense that some sort of transformation is needed, but achieving such transformation seems nearly impossible.

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A characteristic of many such organizations is that they continue to revolve around the personal vision of the founder-leader. That vision, after all, is what drove the establishment of the organization and its subsequent reputation and success. As the organization matures, however, it becomes difficult to bring everyone together around that vision, especially as the founder's thinking shifts in response to new circumstances, ideas, and opportunities. One organizational leader with whom we have worked expressed nostalgia for the days when the entire staff could fit around the kitchen table, and frustration with the lack of flexibility and responsiveness of a now much larger operation.

*Founder's Syndrome: How Corporations Suffer – and Can Recover* by Carter McNamara, (founder of the Leaders Circles Program at The Management Assistance Program for Nonprofits in St. Paul, Minnesota) examines this disconnect between the aspirations of a charismatic founder leader and the organization's ability to adapt, cope, and deliver. McNamara points out that to be successful over the long term, organizations must evolve from their initial entrepreneurial "seat-of-the-pants" growth pattern to more managed development in the context of *a stable administrative structure*. Key to this evolution, according to McNamara, is a transition "in the nature of the founder's leadership from that of a highly reactive, individualistic style to a more proactive, consensus-oriented style." This transition is difficult to make, but organizations

that don't make it begin to experience certain kinds of problems repeatedly: "...plans are not implemented. Money keeps running out. Board and staff members quickly come and go. The organization struggles from one crisis to another...."

How can an organization address these complex, critical, but often highly personal and sensitive issues? We believe certain ingredients are critical to a constructive resolution:

- 1.) founder recognition that change may be desirable both from a personal and organizational perspective;
- 2.) a board that has enough strength and independence to address the issue; and
- 3.) outside planning assistance to engage board and staff alike in an objective discussion of the organization's mission, vision, goals, strategies, and structure.

This *Working Paper* offers three brief comments from nonprofit leaders with their own unique perspectives on founder transition. Peter Karoff applied what he learned from a career of working with nonprofits to his own transition from daily leadership of The Philanthropic Initiative. Choreographer Liz Lerman lends her distinctive viewpoint as a creative artist and finds the key to administrative transition in continued artistic collaboration. Finally, Carl Schramm's commentary as a successor to a founder offers valuable insights for leadership after a founder transition.

## Peter Karoff

*Founder and Chairman  
The Philanthropic Initiative, Inc.*

The Philanthropic Initiative (TPI), the nonprofit organization I founded in 1989, has been in the business of helping others go through transitions — family foundations moving from one generation to another and donors moving from a history of reactive giving to a more strategic approach — with founder dynamics a common component. As a result, I know that such transitions are typically accompanied by a fair amount of complexity, pain, and risk.

Two years ago it became my turn to transition — from TPI's CEO to its non-executive Chair. I knew the odds

were not great for a smooth ride. TPI, while small at 24 people, is what Peter Drucker calls "the primary supplier in a market niche." Much of the TPI "brand" and the majority of the client base was identified with me, and all of the staff and board had been recruited by me. The situation was compounded by the fact that I had planned to stay on to work with selected clients and write a series of books based on the unique TPI experience.

To my delight, the TPI transition is working for these reasons: I was ready to cede the role of CEO and eager to focus on my writing. If the founder is reluctant — or even worse, opposed to the transition — the chances of success are much diminished. My successor, Joe Breitenicher, was someone with whom I had worked successfully for years at TPI — I think handing the reins to an insider can be

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an advantage in a founder transition. His operating style is very different than mine, but we have mutual respect. Under his more inclusive leadership, the TPI senior management team has taken on more responsibility — an unexpected bonus to the transition as I now realize that founder dominance often holds people back. The fact that TPI's business has become even more robust is satisfying to all, and has made the transition that much easier. I also have been mostly a “good boy” and stayed out of the way — my colleagues have been great in respecting the new reality. In retrospect, it is clear that TPI itself was ready for change and renewal and the organization is better for it.

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#### Liz Lerman

*Founding Artistic Director  
Liz Lerman Dance Exchange*

There is a point in a young choreographer's life that frames a major transition. After the first project, the moment comes when the ensemble disbands and the dancers go their separate ways. In that void, I remember thinking I would never be able to recreate that group. In fact, I couldn't. But another group emerged, and many others after that. Each has been amazing and true in its own way. I now appreciate that the minute that someone arrives in my company, they are on the path to leave.

The ability of the Dance Exchange to stretch, change, and shape-shift is in the very makeup of our cultural DNA. It is innate in our art form. It is inherent in our organizational mission. It is manifest in our ultimate belief that each person, and indeed the organization itself, has a right to grow. Our definition of growth is not about size or trajectory, but about a passionate drive to inquire. It is about being a place where everyone gets to grow, not just the person in charge.

After twenty-seven years, the Dance Exchange is in another transition, another moment of stretching and shape-shifting. Most of the advice we receive tells us that in order for this “founder transition” to work, I have to leave. But I'm not leaving, just changing my role, while the organization realigns to accommodate multiple artistic directors. From day to day, we succeed beautifully and fail miserably in making this work. But I'm confident that the new structure allows the institution to get the best of

me *and* of the Co-Artistic Directors. We will ultimately succeed because this new structure for *administrative collaboration* is built on a long established practice of *artistic collaboration*. Once again we are allowing artistic practice to lead the way for administrative practice, a formula that has proven true for the Dance Exchange many times in the past.

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#### Carl J. Schramm

*President and Chief Executive Officer  
Ewing Marion Kauffman Foundation*

The late Ewing Kauffman was a legendary entrepreneur who made his fortune building a pharmaceutical firm that produced remedies for a variety of diseases. So I find it especially fitting, as I ponder Founder's Syndrome, to think about a “cure.”

Mr. Kauffman was one of many entrepreneurs to establish a foundation, yet he was the *only* one to direct his foundation to make entrepreneurship a focus. He knew entrepreneurs created jobs, innovation, and a prosperous economy, and he wanted his foundation to help others achieve the same success he enjoyed.

Not a day has gone by in my fifteen months as the fourth president of the Kauffman Foundation that I've not been inspired and humbled by our founder's life, leadership, and vision. Mr. Kauffman would rail against the bureaucratic, the cautious, the status quo — the very symptoms that afflict nonprofits with Founder's Syndrome.

In his honor, I suggest the following antidote:

- Even if the shoes fit, don't wear them. Rather than mimic the founder, look closely at the path already paved, then choose your own stride. Make your own footprints.
- Don't embrace a culture within your organization that pits people who knew the founder personally against those who did not.
- Don't build larger-than-life images of the founder or worship a cult of personality. *Do* honor and respect. The difference is subtle, but important.
- Acknowledge the deeds, but follow the values. Even the visionary individuals who endowed foundations and nonprofits could not foresee the issues we face today. Let the founder's ideals be the lens by which you view your organization's achievements.

Wolf, Keens & Company draws from a deep well of accumulated insight into clients' needs, thanks to our long history in the field. We regularly help clients avoid reinventing the wheel and strengthen what is unique about each of them. Whether the outcome is better organizational strategy, improved fundraising, new markets, or broader stakeholder consensus — all add up to wringing more value out of the passion, time, and money that nonprofit organizations put into their work every day.

— William Keens  
*President*



Wolf, Keens & Company  
proudly celebrates  
twenty years  
of service to the  
nonprofit field.

For the first time since the company was founded in 1983, I am seeing a seismic shift in the world of non-profits. The pressure to adapt is felt by virtually every organization, the landscape is more challenging, and consolidation seems inevitable. What I see for Wolf, Keens & Company is the opportunity to make a substantial contribution to new ways of operating and doing business. Our services are needed now more than ever because the stakes are greater than they have ever been.

— Thomas Wolf  
*Chair and CEO*

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