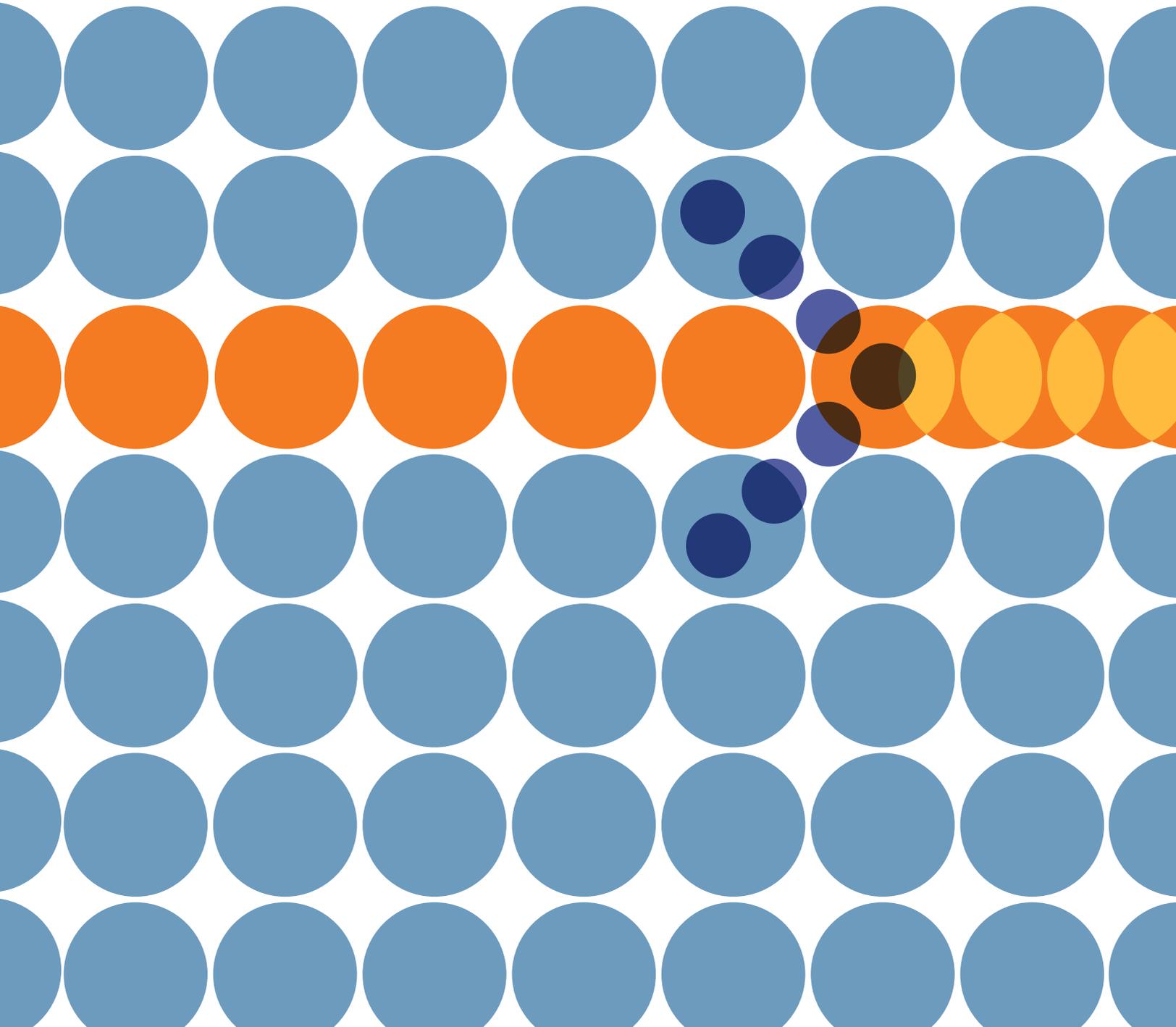


# Departure-Defined Succession Planning: The Seven Essential Elements for a Successful CEO Transition

Tim Wolfred  
Senior Affiliate  
CompassPoint Nonprofit Services  
October 2011



# Departure-Defined Succession Planning: The Seven Essential Elements for a Successful CEO Transition

Tim Wolfred  
Senior Affiliate  
CompassPoint Nonprofit Services  
October 2011

## Introduction

A change in leadership is never an easy time for a community health clinic. It is often a change the clinic's staff and board have not had to face in many years, sometimes decades. There's a lot at stake for the clinic and its clients. A lot can go wrong. At the same time, the moment of CEO transition offers opportunities to reflect on the achievements of the incumbent and to build excitement for the ways in which the next CEO can build on that legacy. It's a special opportunity for the clinic to grow in its capacity to serve its community.

This paper opens with some anecdotes from health clinics that ran into difficulties with their CEO transitions. It then provides an overview of seven best practices that reduce the chances of encountering these and other difficulties and that increase the probability that a clinic will bring in a successful new leader. The elements for transition success will be illustrated with details from the 2010 CEO transition at Community Health Clinic Ole in Napa, California. The final section of this paper will list publications and tools that clinic boards and staff leaders can access for additional guidance on best practices in succession planning and leadership transitions.

## What can go wrong?

Too often nonprofit organizations stumble badly at the moment of transition from one executive to the next. Community health clinics are no exception.

In the course of interviewing clinic leaders, past and present, in preparation for writing this paper, I heard story after story of clinics encountering difficulties, sometimes serious, in the process of choosing and finding success with a new CEO.

In many cases, the exiting CEOs had been grooming successors for some time before setting an exit date. This heir-apparent strategy hit serious turbulence in several instances. The most common difficulty involved the board balking at the CEO's choice when the executive gave notice and informed the board of the person she had prepared to succeed her. The board then conducted an open search and hired an external candidate. The rejected staff person was resentful; some cases resulted in these individuals leaving their clinics.

In one clinic, the CEO began grooming a staff person to succeed her. She informed the potential successor that she would leave her CEO role at

This paper opens with some anecdotes from health clinics that ran into difficulties with their CEO transitions. It then provides an overview of seven best practices that reduce the chances of encountering these and other difficulties and that increase the probability that a clinic will bring in a successful new leader.

the clinic two years later. The CEO changed her mind and was still on the job four years later. At that point the groomed successor, who was highly regarded by the board, informed the CEO and the board that he would leave the clinic unless he was soon promoted to CEO. The CEO reluctantly resigned and negotiated an appropriate retirement package with the board.

The board of another clinic immediately accepted the departing executive's choice to succeed her and made the appointment. However, only after the board had acted did the board and the CEO inform the staff of the clinic of their decision. A culture of transparency and staff input to major decisions had long been in place; and, the successor reports, "The staff immediately mutinied." Six months later, when I interviewed the CEO, low staff morale was still a problem.

In more than one clinic, staff dissatisfaction with the manner in which the board handled the executive transition resulted in staff considering unionization as a means to deal with its grievances.

In several instances, the board's choice of a successor was let go within two years. The reasons varied across clinics. Sometimes the new CEO was not a fit for the staff culture of the organization. The cultures were described in terms like "non-hierarchical," "family-based," or "team-led." When the boards of those clinics decided the next CEO needed to be more "business-like," the dynamic, take-charge successors, chosen because of their business backgrounds, were set up for failure. In other cases, the successor wasn't sufficiently skilled for the job. Or she didn't get sufficient support from a board that had a history of being remote and hands off in the tenure of a dominant predecessor. In some cases, the strong and long-term predecessor didn't fully separate from a position of influence in the clinic, making it impossible for the successor to win the hearts and allegiance of the board and staff.

## Seven best practices for a successful transition to new leadership: Avoiding the pitfalls and taking advantage of the opportunities

These stories of clinics tripping up at the moment of leadership turnover are far from rare across all industries within the nonprofit sector, be it health care, affordable housing, youth development, violence prevention, education, or any other. In the experience of veteran search consultants, the best practices described here have been found to dramatically reduce the chances of serious stumbles.

Managing a CEO transition is one of the most important functions a volunteer board performs. And it is also a complex one with which most board members understandably have little solid expertise. The guidance provided below should help a board see its way to success in choosing its next CEO and, importantly, in preparing itself, its new leader, and its staff for success in fulfilling the clinic's mission as the quality health safety net for its community.

### BOARD LEADERSHIP AND ENGAGEMENT

The board of directors has to come to the transition work wholeheartedly, for two reasons. First, hiring the right executive is one of its most

important duties and critical to the future success of the clinic. And second, the moment of transition offers significant opportunities for growing the clinic's ability to serve its community. The board sets the tone for the entire process. Staff, funders, and clients look to the board to model enthusiasm and diligence in planning the clinic's future and hiring a CEO who fits that future.

The first thing a board does when it learns the CEO will be leaving is appoint a transition and search committee to oversee the full transition process, from a good ending with the current leader to an update of the clinic's strategic vision to a careful on-boarding of the next CEO. Ideally the committee includes a board member who has expertise in hiring organizational leaders. The committee's first step is to map out the work plan and timeline for the full process and to identify with what parts of the process it may need help from a transition or search consultant.

The CEO of Clinic Ole gave her board twelve months' notice that she would be leaving. The board president immediately appointed as chair of the transition committee a board member who had led an executive search for another nonprofit on whose board he had served. The chair then scheduled for the entire board a three-hour seminar on best practices in executive recruiting and screening. Following that seminar, the board decided to hire a consultant to assist with the clinic's transition. The seminar had the impact of providing the board a clear map for how to take advantage of the renewal opportunities available in its transition and for how to ensure it would be hiring the right new leader for Clinic Ole. Members had a chance to get questions answered and to express their hopes and fears for the transition ahead.

## HEALTHY CLOSURE WITH THE DEPARTING CEO

Preparing the clinic for a good beginning with a new CEO starts with a good ending for the exiting executive. An incomplete closure with the departing incumbent can leave staff and board still holding an attachment to that individual. The board must address any potential ragged edges around the CEO's separation from the executive position. For example, a long-term executive's salary may have fallen significantly below market, and the salary offered to a successor may have to go up quite a bit to attract strong candidates. To alleviate any resentment by the departing incumbent and feelings of guilt by the board, the board could craft a separation package that acknowledges the salary differences. The package might take the form of a one-year retainer to be on call to assist the successor as needed.

Ceremonies honoring the incumbent's tenure and legacy are central to a good ending. Rituals are important for clearly demarcating and facilitating life transitions. Staff members and board members need opportunities to thank the departing CEO for her achievements and to say goodbye.

A goodbye event that includes funders and other stakeholders can bring good attention to the clinic and to a healthy leadership transition.

The departing leader may want to stay involved with the clinic in a new role, e.g., as liaison to major donors or as legislative advocate in Sacramento. After assuring the chosen role meets the needs of the clinic, the board must take care to structure it in a way that it does not impede the new CEO's prerogatives and authority. In the new role, for instance, he or she should be supervised by the new CEO.

The Clinic Ole staff hosted a goodbye party for the CEO in the last month of her tenure, toasting and roasting her for her many major achievements. Over her 12 years on the job, the CEO, in the words of an industry observer, "took Clinic Ole from being a funky, little clinic, to its current status as a widely respected and indispensable health care provider covering all of Napa County." The Board of Directors also invited community friends and supporters of the clinic to a reception honoring the CEO at a Napa Valley winery.

## STAFF ENGAGEMENT

Minimally, the board and its transition committee need to communicate clearly, directly, and frequently with staff as the transition and search process unfolds. Transparency about the transition process will cut down on staff uneasiness and confusion. An even more impactful step for many organizations is to include staff members on the transition committee. As the committee is considering strategic goals and organizational needs, it is very helpful to have the staff perspective at the table. In the recruitment process, staff is an invaluable source of contacts. And in the board process of choosing among qualified finalists for the position, staff perspectives on their fit for the position can be an important data point.

A second benefit to robust staff involvement is its buy in to the process and enthusiastic embrace of the board's final choice. Because they were respected and heard by the board, they are ready to respect the board's decision.

The Clinic Ole transition committee included four members of the clinic's senior management team. They stepped off at the point screening of candidates began. In the final phase of the screening process, three subgroups of the staff met with the one finalist for the position and were debriefed on their impressions of her by a member of the transition committee. Staff involvement with the finalist will be discussed more fully in the section on candidate screening below.

## STRATEGIC REVIEW AND CANDIDATE PROFILE

A board will know what kind of leader it needs after it knows where its organization is going. And the more perspectives it taps—staff, board, departing executive, funders, community leaders—the better its map. The strategic directions set early in the transition process will define the candidate skills profile to be used in the search and set the performance priorities for the new executive. The strategic review will also identify what limitations or constraints exist in the clinic that need to be addressed to enable a full-on pursuit of its strategic vision.

A robust strategic review process, which can be completed in six to eight weeks, has the added benefit of building excitement among a clinic's constituencies for pursuit of the updated strategic vision. That excitement energizes efforts to uncover strong candidates, and it attracts top talent.

Clinic Ole's committee distributed electronic surveys to its 120 staff and 15 board members requesting input on future directions for the clinic and on its internal capacity-building needs. They also assigned among themselves a list of 26 funders, civic leaders, and collaborating health care agencies to be interviewed about their perspectives and aspirations for the Clinic's services.

Based on an analysis of the challenges and opportunities emerging from the survey and interview results, the committee crafted six "core strategic directions" for the Clinic. It also proposed seven internal capacity-building goals to address reported organizational constraints inhibiting the achievement of the strategic goals. By analyzing the two sets of goals, the committee then generated a list of seven required skills and qualifications for candidates applying for the CEO position. The process of gathering data, analyzing results, and setting goals took eight weeks.

## AGGRESSIVE RECRUITMENT OF QUALIFIED CANDIDATES

A good recruitment strategy will have both a passive component and a proactive component. Important, but "passive," is the standard posting of the job announcement online and in print journals. For community clinics there are industry sites such as NACHC, CPCA, and Community Clinics Voice, as well as broader nonprofit job sites such as Opportunity Knocks and ExecSearches.com.

Energetic networking to find and pull in strong applicants often turns up candidates who otherwise might not have been aware of the opportunity or motivated to apply. Calls and emails to funders, to health care consultants and executives, and to peer organizations can turn up the names of top talent to be directly courted. It's been said that a good search can require 200 phone calls.

Clinic Ole received a number of promising resumes from around the country in response to its electronic postings. Personal networking led primarily to California-based talent. The clinic's eventual hire was the very impressive CEO of a health care policy organization in a region nearby Napa County. Although she had been aware of the Clinic Ole opening, she did not seriously consider applying until she got the recruiting call.

## SCREENING CANDIDATES THROUGH MULTIPLE LENSES

The more data a board has in front of it when it comes to choosing its next CEO from among the top candidates, the better the odds it will make the right choice.

The search committee starts with screening candidate resumes against the set of required qualifications that came out of the strategic review process. Who looks like they may well have what our clinic needs going forward? Where there are questions, a call to the candidate can fill in the gaps. From among those who appear qualified, the committee invites the top six or seven for a first interview. Based on the interviews, the committee chooses two or three finalists for "deep screening" and invites them back for a second set of interviews.

The committee does thorough reference checking on the finalists prior to the second interviews. They are looking for confirmation that the candidates have achievements in areas important to the clinic, e.g., they have managed significant growth in an organization. The candidates have interviews with staff groups, including the senior management team. The team members are asked to provide the committee perspectives on the strengths and possible skill gaps of the finalists. As a final step the committee then facilitates finalist interviews with the full board of directors. In making a choice among the interviewees the board has data from reference checking, staff interviews, and their own interviews.

The Clinic Ole committee invited six candidates to participate in first round interviews. As sometimes happens, the committee decided one of the six stood head and shoulders above the other five in having the qualifications it sought for its CEO position. Reference checking was done to confirm the committee's judgment. The one finalist then had interviews with the senior management team, a group of clinic managers, a representative group from the rest of the staff, and the outgoing CEO. Feedback from those sessions was taken to the board, which interviewed the finalist and unanimously voted to offer her the position.

## ATTENTION TO THE NEW EXECUTIVE'S LAUNCH

Finally, a board needs to pay attention to setting up its new executive for a productive start. Essential are clear first-year performance goals for the executive that are derived from the organization's strategic vision. The

board (usually in the person of the chair) and the executive also need to make explicit their expectations of one another, i.e., how they will communicate and work together as a leadership team, including how they will support and respectfully challenge one another. Any additional support the executive may need to build the skills and leadership strategies needed to succeed in the job should be discussed and provided. Support sources could be a coach, a peer support group, or a class on an important but missing skill (e.g., identifying and nurturing major donors).

The official start date for the new Clinic Ole CEO was set for three months after she accepted the board's employment offer. During that three-month period she attended to transitioning out of her current job and beginning her orientation to the staff and programs of Clinic Ole. During this period, the Clinic Ole board chair met with her on a regular basis to help support and hear how the transition was going. The chair provided the CEO-elect with important insider information about the organization and the board.

Board members also decided to have a strategic discussion before the CEO came on about how they wanted to relate to her as a board, about how they wanted to relate to each other, and about what expectations they could have of themselves and of her. In the session they made some commitments about things they wanted to do better. The CEO reports, "We threw out the normal agenda in the first board meeting and turned it over entirely to a conversation about expectations, which I thought was great. I think this was very important to do at the beginning of our relationship."

## Avoiding potential pitfalls

### GROOMING A SUCCESSOR

In deciding to groom a successor as a succession-planning strategy, it is crucial that the CEO engage the board in that process from the start. Several of the interviewed executives who had left their clinics years earlier related that they had spent a year or more before their departures preparing trusted deputies to step into the CEO position. Most did not inform their boards of the grooming strategies until the point at which they gave three to six months' notice of their impending departures. Their boards pushed back, either by completely rejecting the CEOs' choice of successor or by declaring they wanted to do a full and open recruitment of candidates, of which the groomed successor could be one. Struggles and hard feelings ensued.

Choosing the organization's next CEO is the responsibility of the board, not the departing CEO. While developing a clinic's talent pipeline is an important responsibility of the CEO, if a staff person is to be set up

as heir apparent for the CEO position, it is important that the board make that choice with input from the CEO. The grooming, professional development process, and readiness benchmarks for the internal candidate will likely be designed by the CEO, but they must have the full upfront buy in of the board in order to avoid a clash of expectations when the CEO is ready to step down.

## FOUNDER DYNAMICS

If the departing CEO is the clinic founder, or a long-tenured leader with all the features of a founder, it is critical to give a large amount of attention to the “healthy closure” practices discussed earlier in this paper. Several interviewees had stories of clinics in which the successors survived fewer than two years because they were not able to get out of the shadows of the founders. The founder dynamics were not addressed and so “destroyed” the new CEOs.

With the departure of a cherished leader, staff and board need time to let go of their bonds. They need chances to express their sadness over losing the incumbent as well as the hopes they may have for seeing things done differently by the yet-to-be-named successor. They need celebratory rituals through which they can acknowledge and thank the incumbent.

The founder has several important tasks in letting go and preparing the way for her successor. Among them are putting in writing critical information that’s in her head, assuring that the clinic management group can manage and lead without her on-site guidance, and assuring that significant donors and funders have a solid relationship to the clinic’s programs and leaders beyond her.

Finally, she needs to go away at the end of her tenure, for several months at least. An ongoing presence delays the staff’s emotional detachment from the founder, which inhibits their attachment to the successor.

If the founder is going to have a functional emeritus role with the clinic, it should be a role that serves an important clinic need, e.g., major donor relations or legislative advocacy, and is a match for her talents. And it should be under the direction of the new CEO. If the founder goes onto the board or serves an emeritus role, the board runs a serious risk of impinging on the leadership prerogatives of the successor CEO.

## TIMELY DEPARTURES

Knowing when it’s time to leave is difficult for a successful leader, and especially so if she has dedicated a major portion of her career to making a success of an enterprise that is the revered health safety net for a community. Separating from one’s life work can be wrenching. And for an acclaimed clinic leader there’s little help for arriving at the self-awareness that it’s time to begin planning a succession to fresh leadership.

One helpful practice for executives is periodic self-reflection on these questions: Am I still the leader the clinic needs for its future? Do I have the skills an evolving funding and service environment demand? Do I still have the drive to do all it takes to keep this clinic thriving? If there’s some hesitancy in answering any of these questions with a strong “yes,” a next step might be to discuss the doubts with a trusted advisor or to engage a coach who can assist in coming to the right answer.

Also helpful is a practice of candid exchanges between board and CEO. The board that conducts a constructive performance evaluation annually with the CEO will use it as an opportunity to reflect on the CEO’s achievements and ongoing fit for the job and to offer assistance when a career move appears in the offing.

The interviews conducted for this paper turned up several instances in which observers believed a clinic would have been well served if the incumbent CEO had moved out of the position earlier than he or she eventually did. In some examples, the clinic fell into serious difficulties that required months of repair work to correct. In each case, the board of directors got early hints of the problems but failed to act decisively on them.

The welfare of a community clinic is ultimately the responsibility of its board of directors. Key to that welfare is being sure that the right person is in the CEO position. That may mean the board's stepping up and facilitating a respectful departure by the incumbent—never an easy task.

## Conclusion

**The moment of executive turnover brings both opportunities and dangers. The opportunities lie in a clinic's board and staff taking a few weeks to create a fresh and exciting strategic vision for their clinic. Vision in hand, they aggressively pursue candidates with the skills to join them in that pursuit.**

**The possibility of the greatest danger, making a bad hire, is dramatically reduced if candidates are sought and screened against a skills profile that is grounded in the strategic vision. The odds of a full embrace of that right new hire are increased if the board has engaged staff in the transition process and has planned both for a healthy closure to the departing CEO's tenure and a careful launch of the new CEO.**

**Clinic Ole took the time to engage staff and board in thinking about its future and about the CEO skills and attributes that vision demanded. The organization made a great CEO hire who, in partnership with board and staff leaders, will keep it strong and poised to navigate the hopeful and challenging times ahead for community health clinics.**

## Publications

Bridges, William, *Managing Transitions: Making the Most of Change*. Perseus Publishing, 2009. [www.perseusbooksgroup.com](http://www.perseusbooksgroup.com)

*Executive Transition Monographs* published by the Annie E. Casey Foundation. [www.aecf.org/KnowledgeCenter/PublicationsSeries/ExecutiveTransitionMonographs.aspx](http://www.aecf.org/KnowledgeCenter/PublicationsSeries/ExecutiveTransitionMonographs.aspx)

*Building Leaderful Organizations: Succession Planning for Nonprofits*, Tim Wolfred

*Capturing the Power of Leadership Change*, CompassPoint & TransitionGuides

*Founder Transitions: Creating Good Endings and New Beginnings*, Tom Adams

*Stepping Up and Staying Engaged: Succession Planning and Executive Transition Management for Nonprofit Boards of Directors*. Tom Adams

Gilmore, Thomas N., *Making a Leadership Change: How Organizations & Leaders Can Handle Leadership Transitions Successfully*. Center for Applied Research, 2003. [www.cfar.com](http://www.cfar.com)

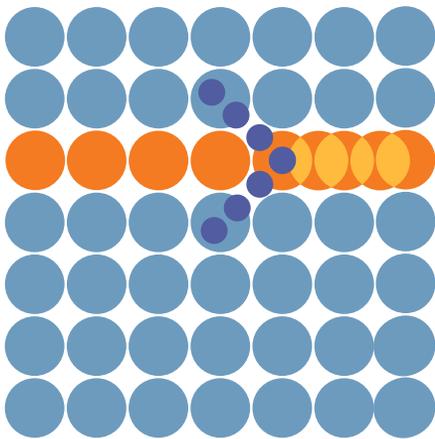
Raelin, Joseph A., *Creating Leaderful Organizations: How to Bring Out Leadership in Everyone*. Berrett-Koehler, 2006. [www.bkconnection.com](http://www.bkconnection.com)

Redington, Emily and Vickers, Donn, *Following the Leader: A Guide for Planning Founding Director Transition*. The Academy for Leadership & Governance, 2001. [www.thejeffersoncenter.org](http://www.thejeffersoncenter.org)

Tebbe, Don, *Chief Executive Transitions: How to Hire and Support a Nonprofit CEO*. BoardSource, 2008. [www.boardsource.org/Bookstore.asp?Item=1086](http://www.boardsource.org/Bookstore.asp?Item=1086)

Wolfred, Tim, *Managing Executive Transitions: A Guide for Nonprofits*. Fieldstone Alliance, 2009.

Wolfred, Tim, "Stepping Up: A Board's Challenge in Leadership Transition." *Nonprofit Quarterly*, Summer 2005. [www.compasspoint.org/articles](http://www.compasspoint.org/articles)



## Other reports in the Blue Shield of California Foundation Executive Succession Planning series

Planning for Leadership Emergencies in  
Community Health Clinics

[www.compasspoint.org/ETMonographs.aspx](http://www.compasspoint.org/ETMonographs.aspx)

Moving Over or Moving On:  
Next Career Steps for Health Clinic CEOs

[www.compasspoint.org/ETMonographs.aspx](http://www.compasspoint.org/ETMonographs.aspx)

Securing Its Future: How One Clinic Pursued  
Strategic Leadership Development

[www.compasspoint.org/ETMonographs.aspx](http://www.compasspoint.org/ETMonographs.aspx)

blue  of california  
foundation

Blue Shield of California Foundation is an Independent Licensee of the Blue Shield Association

50 Beale Street, 14th Fl  
San Francisco, CA 94105-1819  
Voicemail: (415) 229-6080  
Email: [bscf@blueshieldcafoundation.org](mailto:bscf@blueshieldcafoundation.org)