

# Boardroom Bearings

Navigating to Board Excellence



August 4, 2014

## Facing the inevitable: CEO succession



Sixty-two percent of nonprofit executives are 50-64 years old; another 12% are 65 or older. Twenty-one percent of CEOs say they plan to leave their job within the next two years.

The implications for the nonprofits they lead are enormous. Succession planning helps board and staff anticipate a CEO transition and have a sense of confidence going forward.

### What to do when it's a SURPRISE?

Sometimes there is no time. The current CEO: a) might unexpectedly announce his/her resignation, effective in two or three weeks; b) might suffer an incapacitating injury or sudden illness; c) might have to be fired. What's a board to do?

Here are five immediate actions:

1. Notify and engage the whole board. This type of abrupt leadership transition requires everyone on the board to step-up and be involved in decisions about the sudden/impending vacancy.
2. Establish a board transition team. This team can be either the executive committee or a special transition committee. Authorize this group to make transition decisions between board meetings.
3. Select an interim executive. This person manages the day-to-day operation of the organization during the transition. He/she can be a senior staff person, a board member, or a professional interim executive director.
4. Decide how to handle communications. Create a written communication plan if the organization does not already have one. Determine how and when stakeholder groups will be notified regarding the CEO's departure and the board's transition decisions. Stakeholders include staff, funders, partners, peer organizations, and the community. Select one person to be the spokesperson - everyone else should refer inquiries to that individual.



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5. Form a search committee. This group should begin meeting immediately to establish a search process. With an interim executive in place, the committee should take time to review the strategic plan and the executive's job description, determine the key competencies of the new executive, and possibly work with an executive search firm for assistance with the recruiting process.

A sample emergency succession plan template and many other tools for succession planning can be downloaded from [CompassPoint Nonprofit Services'](#) website.

## Don't put your head in the sand! Develop a PLAN!

Executive transition is inevitable. To avoid the panic that is likely in the scenario above, a board should develop a succession plan.

With a headline *Success planning before the funeral*, [The Nonprofit Times](#) reported on a presentation made by Mark Steranka of Moss Adams Consulting at a meeting of the American Institute of CPAs, Not-For-Profit Executive Forum.



"Steranka suggested the following key points:

- Develop a plan. Include the human capital component of the strategic plan. Address recruitment and development of employees as well as the importance of management succession in the future of the organization, such as who is included in the plan and what elements comprise the management succession program.
- Start early. Develop future leaders at multiple levels. Jumpstart the process. Evaluate the senior management team and managers at least one level below that. Understand the organization's recruiting and retention track record.
- Create options. Develop multiple successor candidates for each key position. Learn from the high potential programs used by large companies.
- Take a long view. Don't confuse management succession with ownership transition.
- Communicate intent. Eliminate uncertainty that is destructive to employee morale. Employees tend to focus on worst-case scenarios, so communicate transparently and clearly the plans that are in place for management succession."

## A board's number one responsibility

Of the ten responsibilities of a nonprofit board, which would you say is "Number One"? ([See the list of ten here](#)).

Authors of a [recent article in the Stanford Social Innovation Review](#) asserted "The number one responsibility of any board -- for-profit or nonprofit -- is management of the senior executive."



Whether you agree or not, the authors cite a study that reported "Nearly half (46 percent) of the 214 CEOs responding to a recent Bridgespan Group survey reported getting little or no help from their boards when first taking on the position. As one executive director puts it, 'The board essentially said, 'We're glad you're here. Here are the keys. We're tired.'"

This excellent article offers five recommendations with supporting details for boards that are onboarding a new executive director:

1. Lay the groundwork for the new leader.
2. Collectively set the new leadership agenda.
3. Get clear on roles.
4. Go slow in orientation to go fast on the job.
5. Make performance management routine.

The article also provides a Sample Leadership Agenda (#2, above) and a Sample Orientation Plan (#4, above). There are also a number of links to resources such as *Managing Executive Transitions: A Guide for Nonprofits*.

## Two new resources

We have put two new articles related to CEO succession on the Centerpoint website:

[Departure-defined Succession Planning: The Seven Essential Elements for a Successful CEO Transition](#) by Tim Wolfred, CompassPoint Nonprofit Services. This paper provides an overview of best practices that increase the probability that an organization will bring in a successful new leader. Useful for boards in succession planning. Uses community health clinics as illustrations.

[The Leadership in Leaving](#) by Frances Kunreuther, Phyllis Segal, and Stephanie Clohesy. This paper is a **must-read** for leaders beginning to think about leaving a long-term executive position. It helps plan the exit process while emphasizing that leaving is a leadership function.



## Question of the month

**Q:** When our (well-liked) executive director retires or steps down, is it OK to offer him/her a seat on the board?

**A:** NO, it is not OK to put the previous executive director on the board! For one thing, the previous exec will be taking a board seat that should be used to increase diversity and bring new perspectives. Further, having the previous exec on the board will make things incredibly difficult for the next executive director. The previous exec's presence on the board signals that he/she is still in control. And it is unlikely that the new exec will have the freedom to accomplish what he/she was hired to do. No matter how much the outgoing exec is revered, when he/she leaves the post the break should be clean.

## Boardroom Bearings...

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