

Building the Leadership Bench

Succession Planning With Board and Staff





OBJECTIVES OF SESSION

- Understand why transition plans are useful
- Reinforce why boards matter, especially for successful transitions
- Learn research based practices for transitions, especially CEO transitions



Alliance of Nonprofit Management

Draft Definition

CEO/ED Succession

The process of ensuring continuity of effective leadership for an organization by preparing for planned and unplanned leader transitions and advancing a leader development culture.



INDICATORS FOR SUCCESSFUL CEO/ ED TRANSITIONS

- Strong-high performing board
- Good “bench”
- Financial stability



THE MORE EFFECTIVE THE BOARD, THE MORE HIGH PERFORMING THE ORGANIZATION

“Single biggest reason for why nonprofit Boards are needed is that they impact nonprofit performance”

William P. Ryan, Richard P. Chait and Barbara E. Taylor, “Problem Boards or Board Problems?”

The Nonprofit Quarterly, 10 2 Summer 2003

“The quality of Board performance was the only thing that consistently showed up in the studies on what makes nonprofits effective”

Daniel P. Forbes, “Measuring the Unmeasurable: Empirical Studies of Nonprofit Organization Effectiveness

From 1977-1997,” *Nonprofit and Voluntary Sector Quarterly*, 27 2 June 1998 183-202



PERFORMANCE OF NONPROFIT BOARDS-RESEARCHED EVIDENCE

- 56% of Boards are well informed of their legal and governance responsibilities
- 77% of Boards have a structured, in-person orientation
- 60% of Boards have conducted a formal written Board evaluation.
- 71% of Board members make a personal contribution
- 39% of Board are prepared “to a great extent” for meetings

» Board Governance Index 2012



BOARD ROLES THAT MATTER MOST

- **Purpose/values focus**
 - Set direction for the future (strategic/adaptive)
- **Define organization performance and impact**
 - Approve major policies & program initiatives
 - Partner for impact
 - Advocate for change
- **Ensure financial resiliency**
 - Oversee, conserve, enhance
- **Select /support/partner/evaluate CEO**
- **Board self-improvement**



BOARD DEVELOPMENT

Goal: The right people at the right time

- The board is appropriate to mission and core values
- The board is focused on meeting the goals in the strategic plan, governing the organization and partnering with the CEO

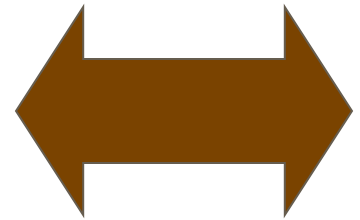



BOARD SUCCESSION TOOLS

- Strategic recruitment
- Terms
- Chair succession process
- Job descriptions
- Ongoing training

LIFE CYCLES OF BOARDS

- Sustaining Stage (out from founding stage)
 - Occurs when staff added
 - Board begins to structure- talk about difference between “governance” and “management.”
 - Recruits more diversity
- Crisis Stage (not all will experience)
 - Board struggles to define role
 - Board may have difficulty recruiting
 - Reputation of staff and board leadership critical to forward movement

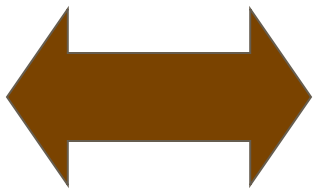


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- **Governance Stage** (not bad, but can lead to next stage)
 - Board very business-like
 - Uses standing committees
 - Clear separation of governance and management
 - Board a mix of those serving because of the cause and for other reasons
 - **“Bobble head” Stage** (too many end here)
 - Staff makes all important decisions
 - Board meetings ritualized
 - CEO sees board’s value just as fundraising
 - Good board members begin to leave



HIGH PERFORMING BOARD STAGE

- Board re-energized
- Focused on strategic issues without worrying about firewall between policymaking and management
- Board and staff become partners
- Board feels free to innovate
- Roles become flexible over time





STAFF SUCCESSION

Other positions to consider for transition planning

- Development Director
- Finance Director/CFO
- Program specialist
- Other?



POSITIONS-HARD TO FILL

Development Directors

- Median vacancy 6 months, 46% of organizations report longer vacancies
- Among organizations with budgets of \$1 million or less, median vacancy length jumps to 12 months.
- Overall, 16% of executive directors at organizations with vacant development director positions reported vacancy lengths of two or more years

Under Developed-CompassPoint

Finance Directors

- Many organizations must pay CFO more than ED



FIRST WHO, THEN WHAT (COLLINS)

- Hire (recruit) the right people, don't focus just on the needed skill
- Once it is understood that someone is not the right person, ask them to leave; work to not burn bridges
- Learn from mistakes.



STAFF SUCCESSION TOOLS


- Organization values
- Job descriptions
- Competitive compensation
- Evaluation process
- Clear boundaries-who does what
- Engaged board
- Appropriate staff engagement in selection



CEO TRANSITION/SUCCESSION PLANS

Some thoughts:

- Board's biggest job-selecting then maintaining relationship with CEO
- Board's next biggest job-managing itself, with the right people equipped for the job
- Tools:
 - Contracts, with an end date for review
 - Performance evaluation , each time ask “how long are you going to stay in this job?”
 - Board Development
 - Scenario planning; ready for any possibility

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- Lack of board support or board problems “first or second reason why nonprofit CEOs resigning in record numbers.”

Timothy Wolfred, *Leadership Lost: A Study on Executive Director Tenure*, March 1999



TRUST, TRANSPARENCY, COMMUNICATION, ACCOUNTABILITY ESSENTIAL FOR GOOD BOARD CEO RELATIONSHIP

- Shared values
 - Core values of organization/leadership in alignment
 - Values enhance publics' confidence
 - Core Values = good choices: people, programs, planning
- Clear expectations
- Transparent communications and decisions
 - No surprises
 - Not an “ask for forgiveness” culture
- Mutual respect for intent and competence
- Learning environment
 - Risk taking
 - Shared power
 - Building on assets



IT TAKES COMMUNICATION...

- **81% of nonprofit boards conduct formal, written evaluations of their CEO.** An annual performance assessment is central to a chief executive's job satisfaction!

BoardSource Nonprofit Governance Index 2012

- **Opportunity for the board and CEO to agree on what's important.**
- **Legal obligations**
 - The IRS asks all nonprofits to describe their process for setting chief executive compensation in Schedule O of the Form 990. Performance evaluation is a part of that process.
- **It's lonely at the top!**
 - With no peers and no direct supervisor, a chief executive has few opportunities to obtain insight into his or her strengths, limitations, and overall performance. Performance assessment provides that opportunity.



MAIN REASON BOARDS AND CEOS DON'T GET ALONG; DISAGREEMENT ABOUT

1. Mission
2. Core values
3. Judging success for organization and CEO
4. Who does what



WHAT CHARACTERISTICS DO WE LOOK FOR IN A NONPROFIT LEADER?

- Visionary and future focused
- Entrepreneurial spirit
- Calculated risk takers
- Good communicators
- Systems thinkers
- Creative problem solver and thinker
- Connector- Collaborator
- Values oriented
- Others?



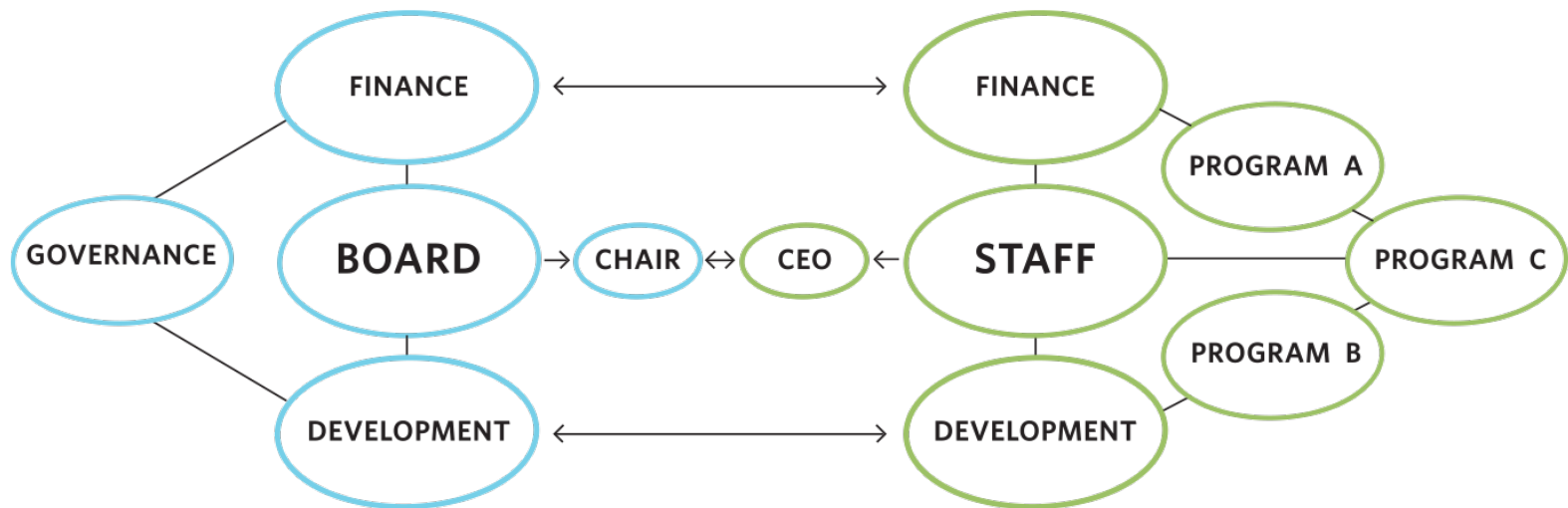
IT TAKES THE TEAM TO BE SUCCESSFUL

- The Board's effectiveness is directly related to the level of the CEO's engagement with the Board.
- Despite having exceptional professional leaders serving on the Board, the CEO is critical to ensuring that all Board activities, including committee work, are successful.

BoardSource 2010 Nonprofit Governance Index

BOARD STAFF BALANCE =

Trust, Transparency, Communication,
Accountability, Responsibility



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DATA ON EXECUTIVES

- Nearly a third of current executives (31%) have been on the job for fewer than three years; 27% have been on the job for ten or more years
- 45% of executives did not have a performance evaluation; performance management is a critical means of dialogue with about success and metrics to measure
- During first year, 52% of execs described themselves as very happy but only 37% identified as very happy after first year

CompassPoint- *"Daring to Lead"*-2011



MORE FACTS

- Less than half of new execs stay in the job for three years-most leave because of lack of board engagement
 - The rest are fired because board's dissatisfaction
- Less than 40% of execs currently in job see themselves in job in 5 years

CompassPoint-*"Daring to Lead"*-2011



KEY QUESTIONS TO CONSIDER WITH CEO TRANSITIONS

- Is current direction the right direction?
- What will be impact on other positions?
- What will be impact on funding sources?
- Budget for transition?
- Need for professional consultation?

PROCESS

- Unexpected Transitions
 - Who will fill/cover duties in interim
 - If not internal, what's the strategy
- Expected Transitions-(3-12 months notice)
 - Notification process-who knows what and when
- Designate committee (for CEO transition)



BEST PRACTICE STRATEGIES

- Don't inform staff, funders, community too early
- Current CEO should not anoint successor; selection is a board responsibility
- Current CEO only involved in on boarding of new CEO
- Entire board makes decision, not a committee
- Develop on-boarding process for new CEO



PROPOSED TIMELINE PLANNED CEO TRANSITION

- Board and CEO discuss timing; every annual evaluation
- CEO informs board twelve months before; board maintains confidentiality of information
- Board develops strategy for transition process
 - Committee
 - Budget
 - Support needed



CONTINUED

- Board notifies key funders, partners and staff six months out
- Begins search process
 - Secure professional support-if needed
 - Publicizes position
 - Speaks to internal candidates about process
- Board selects new candidate 1-3 months before transition



AND FINALLY

- New CEO meets with exiting CEO; transfer knowledge relationships
- Board provides weekly support to new CEO for at least first three months
- Former CEO remains on call as needed basis to answer questions for up to six months



QUESTIONS–WRAP-UP EVALUATION VIA E-MAIL

Thank YOU

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