

# NonProfit Trends

## Succession Planning for Not-for-Profits: Preparing for a storm

2014 - Issue II

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When a hurricane, tornado or other natural disaster approaches, we prepare by stocking up on food, water and batteries and hunkering down at home. It may be a while before we can replenish our supplies and these items are vital for our survival.

Although a literal storm may not be headed towards the not-for-profit sector, there is a tumultuous period ahead. Sadly, many executives and boards seem oblivious to this looming threat.

In the years since Bridgespan sounded an alarm in The Nonprofit Sector's Leadership Deficit in March 2006, very few organizations have implemented succession plans. Bridgespan predicted that "Nonprofits with revenues greater than \$250,000 (excluding hospitals and institutions of higher education) . . . will need to attract and develop some 640,000 new senior managers" over the next decade.

In speaking with Executive Directors and Board members on the subject of succession planning, we are often told, "We'll deal with that when the time comes." These leaders are, essentially, waiting for an actual storm warning before taking

action, leaving themselves a small window of perhaps only a few months to respond to leadership losses. In one instance, an Executive Director announced his retirement from a multi-state philanthropic organization with a budget of more than \$200 million, a year in advance. Yet at the time of his actual leaving, there was no plan in sight to groom or recruit a successor.

**"Succession planning is essential to every aspect of a not-for-profit's operations and is a top-to-bottom process if the organization is mindful of its long-term sustainability."**

The Board Chair should sit down with the Executive Director to learn how much longer he or she plans to serve – whether that is an additional two years or ten. This discussion is not meant to produce a definitive date or timetable, nor to exert any pressure to leave or remain. The goal is to gauge the long-term availability of the Executive Director. If there is a potential successor in sight, consider how that person might acquire additional experience and the skills needed to lead the organization. If there is no viable candidate, expedite the recruitment process by developing a wish list of necessary skills, knowledge and experience for the next leader.



Board members are also to be queried regarding their long-term commitment to serving the organization, taking into account term limits and rotation of officers. Certain key areas of expertise need to be consistently represented among the board – legal, accounting, finance, marketing and industry or sector expertise in operations. Are there prospective board members waiting in the wings among donors, members of an Advisory Board or friends of the organization? If so, what are next steps for recruiting these prospective board members?

It is also important to evaluate the staff of all departments -- programs, education, fundraising, administration, finance -- in terms of their internal roles and external relationships. Are

their day-to-day operational tasks documented so that current (and future) team members can execute these responsibilities? The individual and their supervisor should prepare by developing these write-ups and cross-training colleagues. Are donor and vendor relationships linked to the individual or to the organization? If the former, draft a process to introduce other team members who will cultivate these connections for an eventual transition, thus ensuring the tie to the organization is maintained.

How are programs, events and processes recorded for others in the event of a staff member's departure? Preparing a manual for every event and program serves not only to orient newcomers, but also to ensure continuity from one year to the next.

Following these assessments, the management team should project the organization's future needs, taking into account available resources, staff, technology and finances. How well do the skills of the current staff match likely changes in the regulatory and economic landscape? For example, compliance with newly mandated regulations may require not-for-profit professionals to master new software programs in order to update and maintain records. Do the current skillsets of your colleagues align with these future challenges?

Similarly, will changing demographics among the population served by the organization require new services or outreach initiatives? Are the current team members likely to thrive if competitor organizations enter the market? Is training the current team members the most effective way to acquire the skills necessary to work in the oncoming environment, or will an aggressive hiring campaign targeting professionals who have these skills a better approach?

Finally, grant-makers and foundations need to be kept in the loop of succession planning. Any uncertainty regarding sustainability of a nonprofit can cause even long-time supporters to reduce their giving. In a worst-case scenario, the development team may face the prospect of losing grants for programs, and being forced to re-apply in a more competitive marketplace.

Forward-thinking organizations are already engaged in this type of strategic planning. They work to adapt their internal culture to community demographics and the marketplace, while maintaining their reputations.

Achieving success via the succession planning process helps the Executive Director, the Board and department leaders to proactively gauge the health of the organization. A formal succession plan ensures that day-to-day responsibilities are covered and there is a blueprint for seamless delivery of client service, fundraising, financial processes and administration as the changes of the future become the present.

Please contact Mitchell Lewis or Ron Ries to discuss how your nonprofit organization is addressing succession planning as part of its strategic planning for the future. The projected leadership deficit in the nonprofit sector is already happening and will only accelerate in the years ahead.

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