



Executive Leadership Transition Services

When the CEO Resigns: Decisions the Board Must Make

An executive leadership transition is one of the most significant challenges that a board will face. Not only is the selection of the next leader of utmost importance, the management of this process will communicate much about the board and the organization.

In addition to selecting the next leader for the organization, by proactively managing this transition, the board has the opportunity to:

- Strengthen relationships with stakeholders.
- Portray the organization and its mission in the best possible light.
- Maintain or increase confidence in the board's leadership capacity.

Boards can prepare for an eventual leadership transition by making some decisions in advance. These decisions are outlined in the paper entitled: *The Board's Role in CEO Succession Planning*. If your board has completed a pre-planning process, some of the decisions outlined below will already have been made.

The purpose of this paper is to identify key decisions that a board will face as it manages an executive leadership transition. This paper will not attempt to identify all of the options or factors that could be considered for each decision.

CEO Resignation

The leadership transition process officially begins with the board's receipt of the resignation of the CEO. At times there will be a discussion with the board or board chair which will result in either a decision to resign or an agreement about the timing of the CEO's transition. When a date is determined, it is essential that the CEO provide a written letter of resignation. The full board should be informed of the receipt of the resignation and the need to keep it confidential until it is formally announced.

Announcement

The board is responsible for communication, including content and timing, for the announcement of the CEO's resignation. The development and implementation of the communication plan will need to be coordinated with the CEO. It will take a minimum of two to three weeks to develop the communication plan and to prepare for its implementation.

The content of the announcement may include some or all of the following:

- The announcement of the CEO's resignation and effective date.
- Appreciation for the CEO's leadership and a summary of organizational accomplishments during the CEO's tenure.
- Announcement of the appointment of a search committee and the name of the chair of that committee or a statement that a search committee will be appointed by the board.
- If a decision has been made about whether the search will be conducted by the search committee or by a search firm, this can be a part of the announcement. The announcement can identify the contact person for inquiries, if applicable.

Timing

Generally, it is advantageous to announce the CEO's resignation within 3-4 weeks of receiving the resignation rather than try to keep the information confidential for several months or more.

The communication plan should identify the stakeholder groups to be notified, the content and means of communication, and the timing of the communication to each group. Board leadership should determine and manage the communication plan in consultation with the CEO. Board members should be informed of the communication plan prior to its implementation.

Sample Communication Schedule

Monday-Tuesday

- The departing CEO shares his/her plans with senior staff along with a request that they keep the information confidential until a general announcement is made to staff.

Tuesday afternoon

- An announcement is made to staff and then to residents, if applicable.
- Using talking points, phone calls are made by board members and CEO to key stakeholders who have been identified
- Letters are mailed to donors

Wednesday/Thursday

- Public announcements including newspapers, website, etc.

Planning the Search Process

There are several decisions to be made as the board prepares to implement a search process. One of those considerations is whether an interim CEO will be needed. Factors that might lead a board to consider appointing an interim CEO include:

- The CEO's departure timeline does not allow adequate time to conduct a search.
- The search process has not identified a preferred candidate and more time is needed.
- The organization may benefit from a period of transitional leadership.

If appointment of an interim CEO is considered, there may be a question of whether to consider an internal staff person or someone from outside of the organization. If an internal staff person is considered for the interim role, the board should clarify up front whether this person will be

considered as a candidate for the CEO position. In most cases, the interim CEO will be the individual previously named in the Succession Plan.

The appointment of a CEO search committee may be described in the bylaws or in a CEO Succession Plan. Frequently the Board Chair or Executive Committee will appoint the Search Committee. Search committees in non-profit health and human services organizations often consist of four or five members, usually board members. The board chair may serve as an ex-officio member of the search committee.

It can be helpful to appoint the Search Committee within 2-4 weeks of receiving the CEO's letter of resignation. Early in the process, it is recommended that the board discuss the expectations of the Search Committee related to:

- Frequency and content of updates
- Whether the board wishes to be informed of the names of the finalists
- Whether the Search Committee is expected to:
 - Bring a recommended candidate to the board or
 - Involve the board in identifying a finalist from several candidates.

Selecting the CEO is one of the most important responsibilities of the board. Some boards may consider whether it is in the best interest of the organization to engage a search firm. In order to make a decision about whether to engage a search firm, it may be helpful to review some of the aspects of the search process:

- Develop Organizational Profile, Update Position Description, Describe Compensation Package
- Develop Candidate Profile
- Advertise/Network
- Screen Applicants/Conduct Reference Checks
- Prioritize Applicants
- Conduct Interviews
- Identify Finalists
- Conduct Follow Up Interviews
- Recommend Candidate
- Invite Preferred Candidate and Finalize Compensation, etc.
- Develop Communication Announcing CEO Appointment

Volunteer board members may not have the time and/or expertise to conduct a CEO search. For example, when CEO searches are done by the search committee, advertising may be the primary strategy for identifying candidates. Frequently the best candidates are ones who are not actively looking for another position. Identifying these persons is often best accomplished through numerous networking contacts.

The decision about whether or not to engage a search firm is a very important. This decision will need to consider the search experience of committee members and the time they have available to conduct the search.

If a search firm is considered, the following areas should be assessed:

- Assessing the fit between the organization and the search firm
- Reviewing the experience and expertise of the search firm
- Understanding what the search firm will provide
- The base cost and additional expenses.

Implementing the Search

The numerous and varied decisions that are involved in the actual search process are beyond the scope of this paper. If a search firm is engaged, they will support the search committee in negotiating the search process.

The Departing CEO

While the search process can become the focus of the board's attention there are several questions related to the departing CEO that the board should consider:

- Does the board wish to identify key tasks, priorities or deliverables for the CEO to accomplish before his/her departure?
- How does the board wish to acknowledge and celebrate the departing CEO's contributions?
- What, if any, role should the departing CEO play in the search process? In general, the departing CEO should be involved only as invited by and as defined by the board or search committee.

The Incoming CEO

The board should be intentional about how it wishes to welcome and support the new CEO:

- How will the new CEO be welcomed to the community/organization?
- What is the orientation plan?
- How will the new CEO be supported during the first year?
 - Will executive coaching be provided?
 - Will a six month CEO performance assessment be used as a means of affirming strengths/accomplishments and providing feedback?
 - What other means of support will the board provide for the new CEO?

Feedback or Questions?

Feedback about this resource or questions about Executive Leadership Transitions may be addressed to LaVern Yutzy at lavern@mhsonline.org