

A photograph of a paved sidewalk with scattered dry leaves and a long shadow cast across it. The scene is lit with warm, golden light, suggesting late afternoon or early morning. The shadow is cast from the right side of the frame, stretching towards the left. The leaves are scattered across the pavement, some showing signs of decay.

Countdown to the Inevitable

North Carolina Nonprofit CEOs In Transition

North Carolina Center for Nonprofits

North Carolina



Center *for* Nonprofits

Many missions | 100 counties | One voice

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About This Report

This report by the [North Carolina Center for Nonprofits](#) is part of a multi-year, statewide initiative on Executive Succession and Deepening the Bench to help nonprofits and their leaders navigate executive transitions successfully.

In August 2015, the Center conducted a *confidential*, online statewide survey of executive directors/CEOs to learn about their career paths; their plans for their own executive transitions, whenever they happen; and their jobs and boards of directors. Previously, we had relied on the 2011 national [Daring to Lead](#) study, which found that 67% of nonprofit CEOs planned to leave by 2016, but we had nothing specific to describe the changes happening in our own state.

We received 640 responses to the survey. Our reporting is based on the raw number of eligible, complete survey responses and is not intended to attempt statistical significance, but yield data useful in revealing patterns of behavior in the population of CEOs. We're pleased that nonprofit staff and board leaders, as well as foundation and corporate funders and other donors, can now turn to this Center resource as they work to build the capacity of their own and others' organizations.

We thank [CompassPoint](#) and the [Meyer Foundation](#) for their permission to adapt selected questions from the 2011 *Daring to Lead* survey. We are grateful to [RTI International](#), especially Larry Campbell and Jonathan Solares, for donating its expertise in the development and administration of the survey. We extend our appreciation to our local and regional partners – [Guilford Nonprofit Consortium](#), [HandsOn Northwest North Carolina](#), [QENO](#), and [WNC Nonprofit Pathways](#) – for their help in distributing the survey to their constituents. Most importantly, we thank the executive directors and CEOs who took the time to complete the survey and share their honest feedback so that we could learn from their collective experience.

Trisha Lester, Acting President
North Carolina Center *for* Nonprofits

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Key Findings

- ♦ Almost one-third (32.7%) of nonprofit CEOs plan to leave their positions in *two* years and, of those, close to 30% (29.5%) have notified their boards of directors. Nearly 60% (58.2%) of CEOs plan to leave their positions in *four* years. This compares to the 2011 national *Daring to Lead* study that found that 67% of nonprofit CEOs planned to leave their positions by 2016.
- ♦ The top reasons for leaving are: wanting to retire (37.1%); feeling it's time to leave (29.5%); inadequate board support or performance (18.6%); inadequate salary and/or benefits (13.9%); and feeling tired of raising funds (13.3%).
- ♦ An alarmingly-high percentage (67%) of nonprofits do not have an emergency back-up plan in case of a short-term absence by the CEO. Of the 33% that have one, 86% say their boards of directors are familiar with it. An even higher percentage (71%) of nonprofits do not have a written, board-approved succession plan for the CEO position.
- ♦ If the CEO were to leave his/her job today, almost half (48.9%) feel there's at least one other person on the staff or board who would be a good candidate for the CEO's job, which points to limited bench strength in *that* group, but *none* in the other 51.1%, which is troubling.
- ♦ Almost three-quarters of CEOs (74%) have at least one person on staff whom they would trust to make important organizational decisions without any consultation from them.
- ♦ The majority of CEOs (88%) feel most comfortable talking about their eventual transition with a trusted friend. More than half (56%) said they were "very comfortable" talking with their board chair. Interestingly, 62% of CEOs felt "very comfortable" or "somewhat comfortable" talking with a funder of their organization as opposed to only 38% who felt "somewhat uncomfortable" or "very uncomfortable," which points to positive and trusting relationships with funders.

Key Findings *(continued)*

- ◆ Close to 78% of CEOs feel “very energized” or “somewhat energized” in their current positions, which is very good news. It is troubling that almost a quarter (22.1%) of CEOs feel “somewhat burnt out” or “very burnt out” – and that’s not healthy for them or the nonprofit they’re leading.
- ◆ When asked what energizes or fatigues them, CEOs were most energized by organizational strategy and vision and external relationships and partnerships (88%); they were most fatigued by fundraising (45%) and working with the board of directors or trustees (33%).
- ◆ While most (61.6%) CEOs receive an annual review of their performance, 13.6% have never been evaluated by their boards. Of those that responded never, almost 24% (23.5%) have made an overt request of their board to fulfill this governance function, but the boards have not complied. That lack of performance should be identified in a board self-assessment.

Call To Action

- 1. Boards of directors must embrace their governance responsibilities around succession planning and execute them in partnership with the CEO as a component of sound risk management and effective planning.**
 - ◆ There should be written, emergency back-up plans in case of short-term absences of the CEO as well as written, board-approved succession plans to address the inevitable transitions of the chief staff executive that all nonprofits will face at one time or another.
 - ◆ Institutional funders can take simple steps to build awareness of this responsibility by having nonprofits report on proposals whether they have these two important policies and how frequently the board of directors revisits them.
- 2. Operating nonprofits need institutional and individual funders to stick with them during periods of executive transition if they're to continue delivering on their missions.**
 - ◆ If funders truly believe in the importance of leadership, they must stay the course with nonprofits that they've funded through periods of executive transition, when they're financially the most vulnerable.
 - ◆ It further weakens the nonprofits to adopt a "wait-and-see" attitude regarding funding and puts funders' investments at risk – while creating an unhealthy dynamic that works against the principles of effective capacity building.
- 3. North Carolina nonprofits must reach out to a more diverse pool of individuals – specifically around race, ethnicity, and age – to give them opportunities for executive leadership positions in order to grow and strengthen our sector and make it sustainable in the long term.**
 - ◆ Demographic forces in our state are changing the make-up of the population, and nonprofits will need to reflect those changes in their executive leadership as well.
 - ◆ Boards of directors and nonprofits must invest in leader development to deepen the bench of talent for the long-term future of our sector.

In Their Own Words

“My board is like an ostrich when it comes to executive succession. I've tried to raise the subject since I was hired, providing checklists and information, but the board seems to think I will be here forever.”

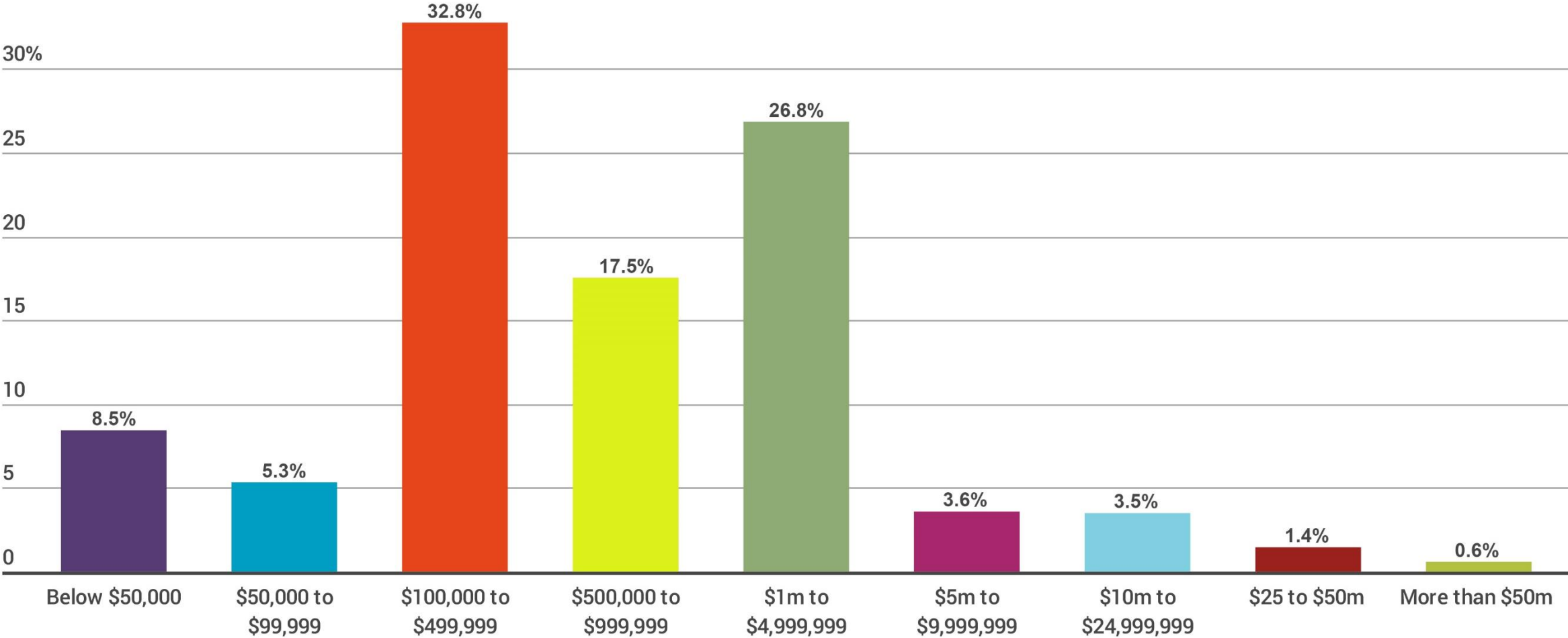
“In my experience, CEOs give their heart and soul to their organizations, and over time it a) becomes expected, b) is exhausting, and c) has diminishing returns. Boards and their CEOs should have clear expectations about where the boundaries are and pay attention to the warning signs that the leader is running out of steam. I have asked for a sabbatical to rest, read, write, and refresh. While supportive of the idea, the board is unable to step in and make it possible.”

“In my transition out of my previous position, one of the most helpful things was that the year before I'd received a Z. Smith Reynolds Foundation sabbatical. That allowed me and my organization to do some of the necessary planning and helped prepare my organization for my ultimate transition.”

“Always plan for deep bench strength on your staff to anticipate transitions at all levels, even middle managers. This is critical for small, lean nonprofits.”

“Start planning at least five years before the expected transition. And personally speaking, don't spend all your energy getting your organization ready for the transition; spend time getting yourself ready too.”

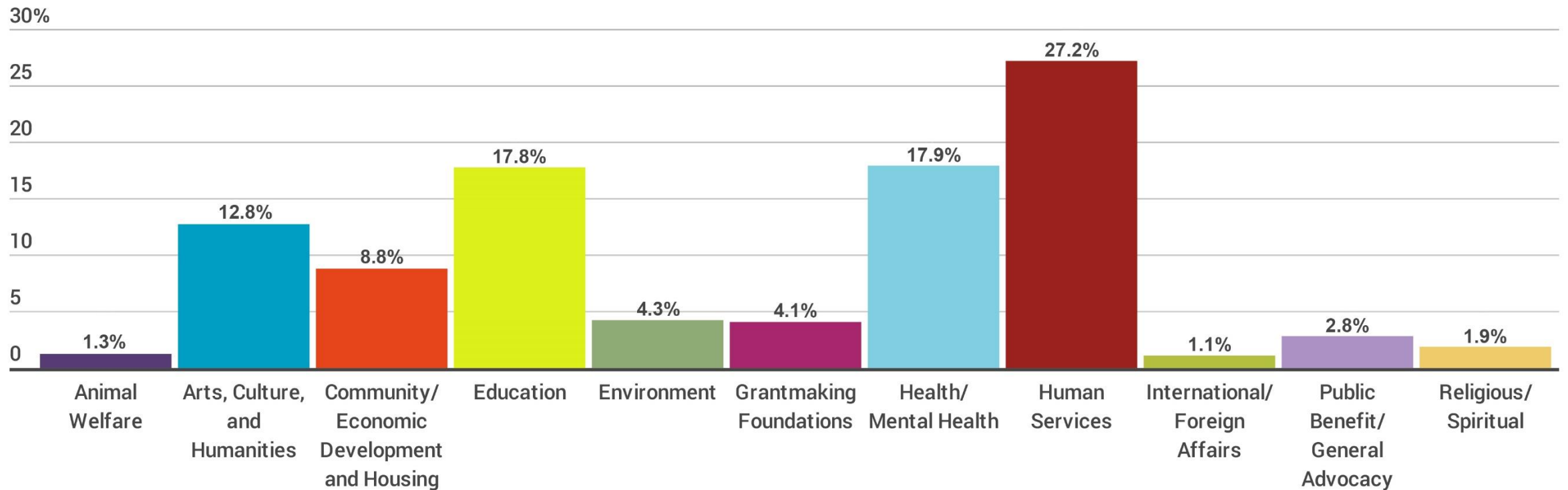
Budget Size



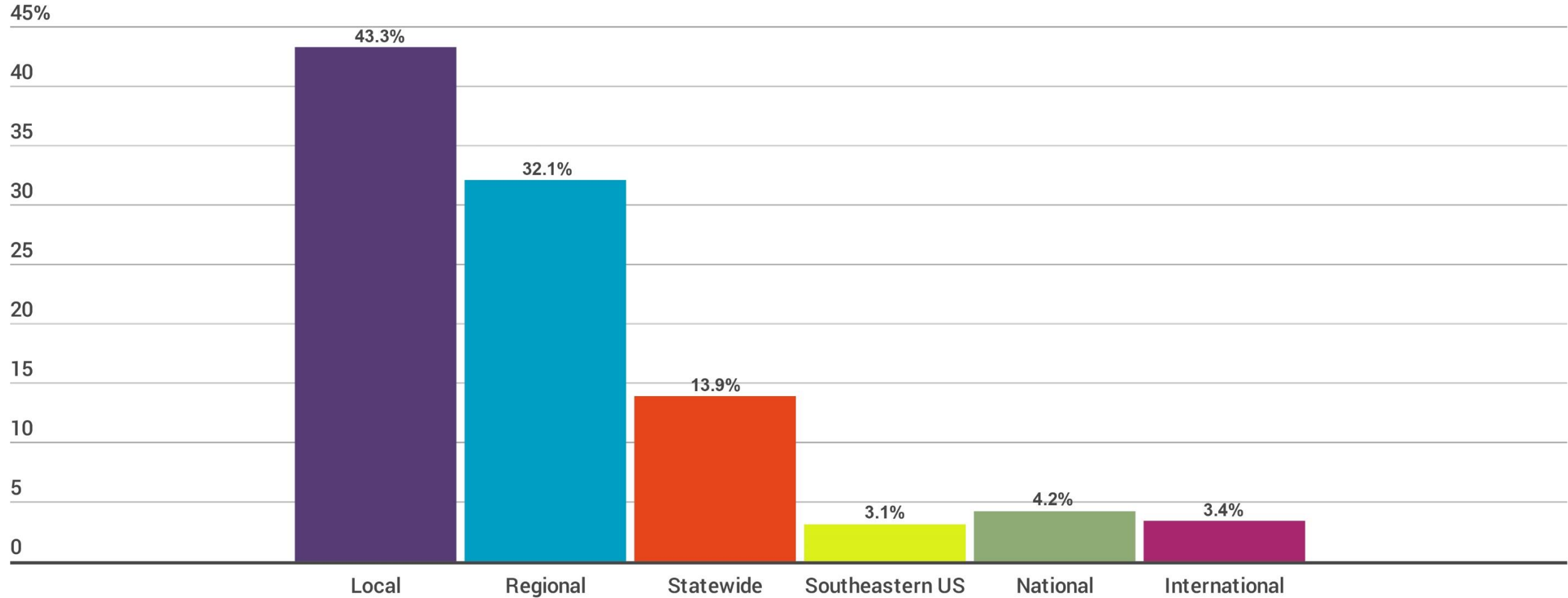
Note: Some values will not add up to 100% because of rounding.

Primary Activity

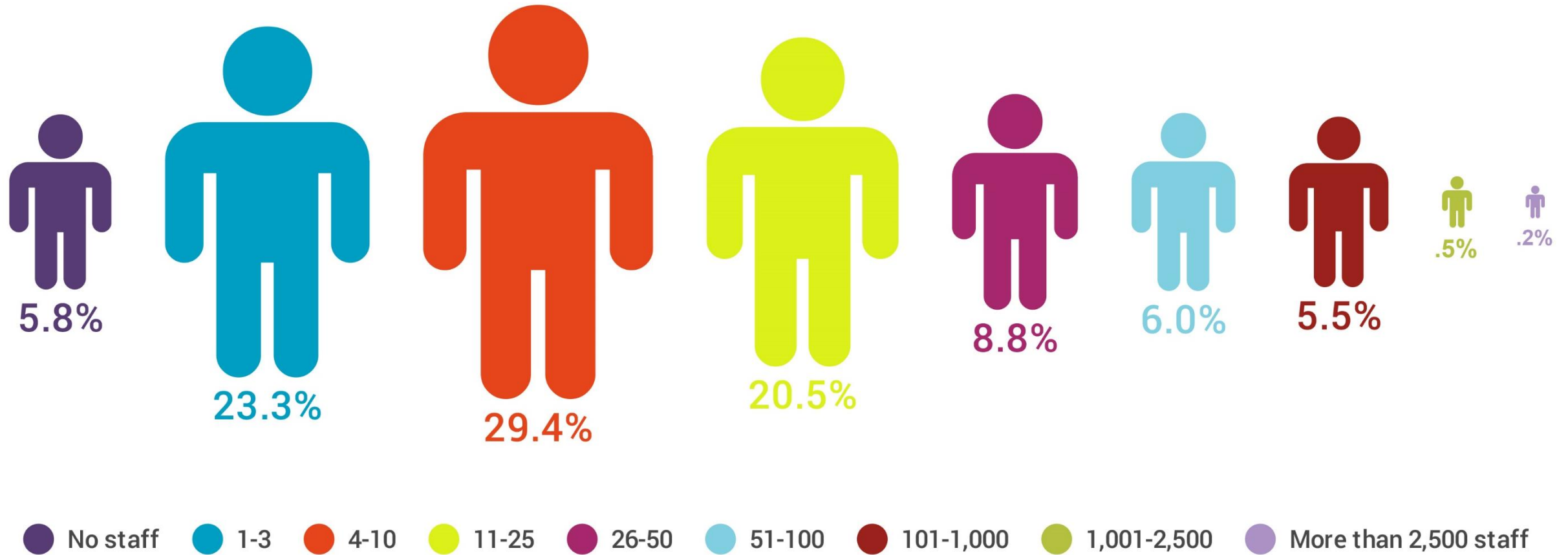
Top respondents: human services (26.5%), education (18.2%), health/mental health (17.9%), and arts, culture, and humanities (12.8%)



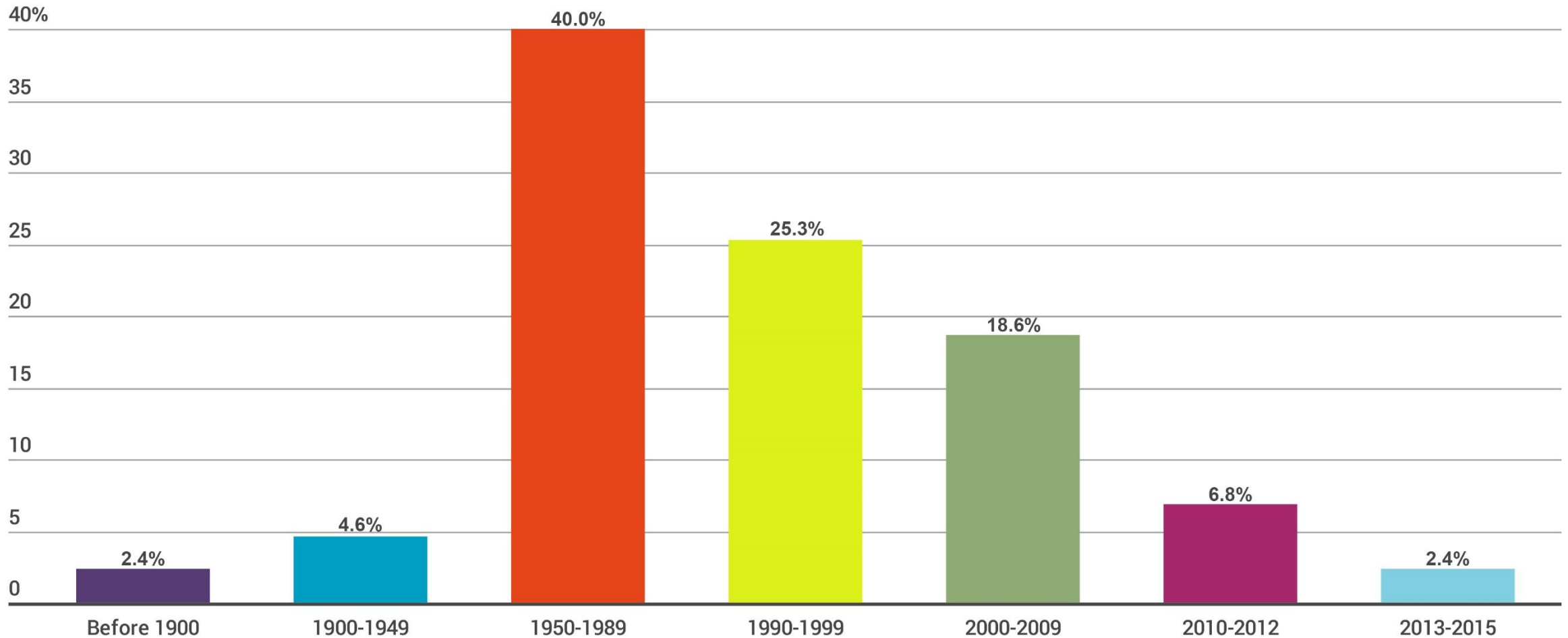
Geographic Scope



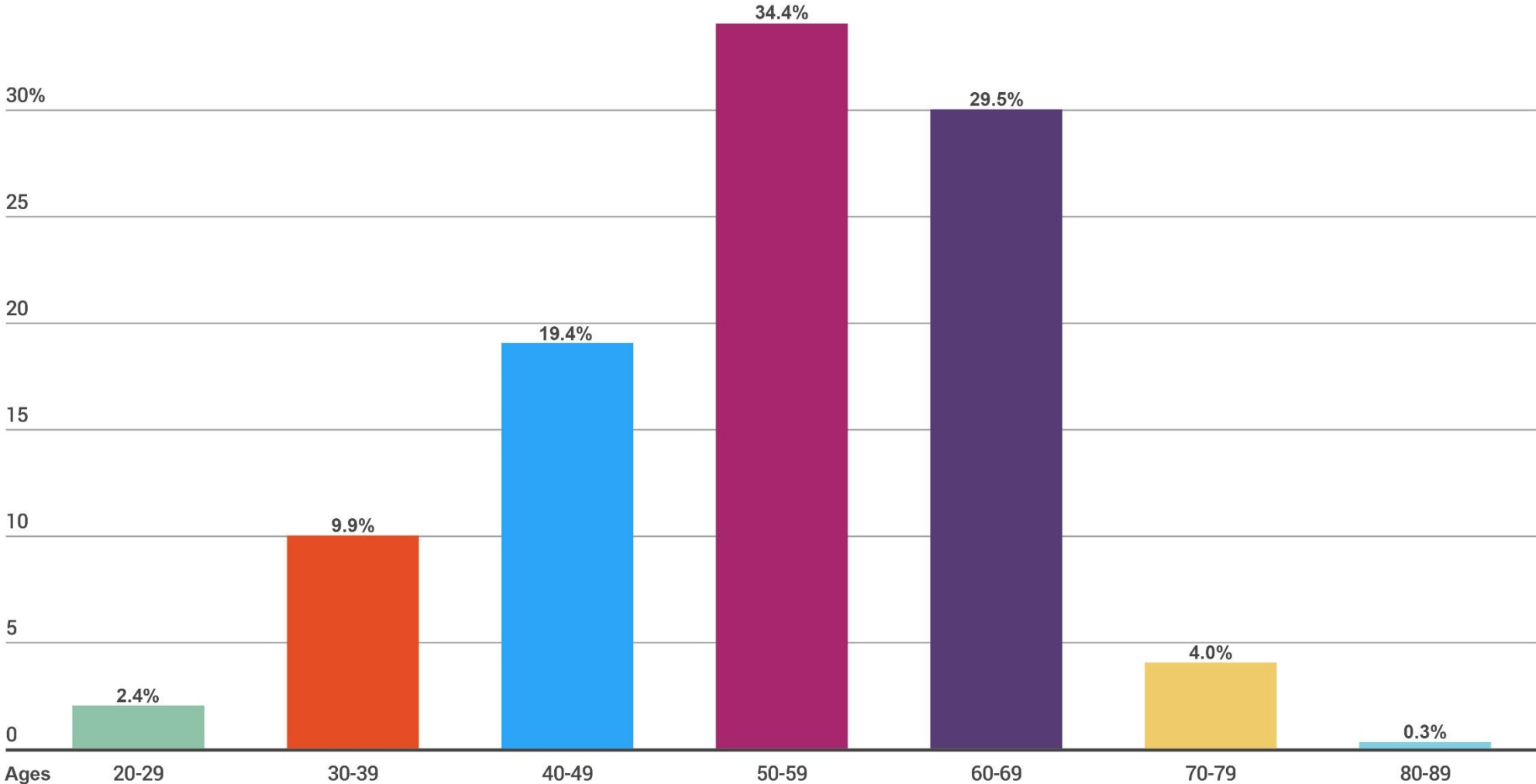
Paid Staff



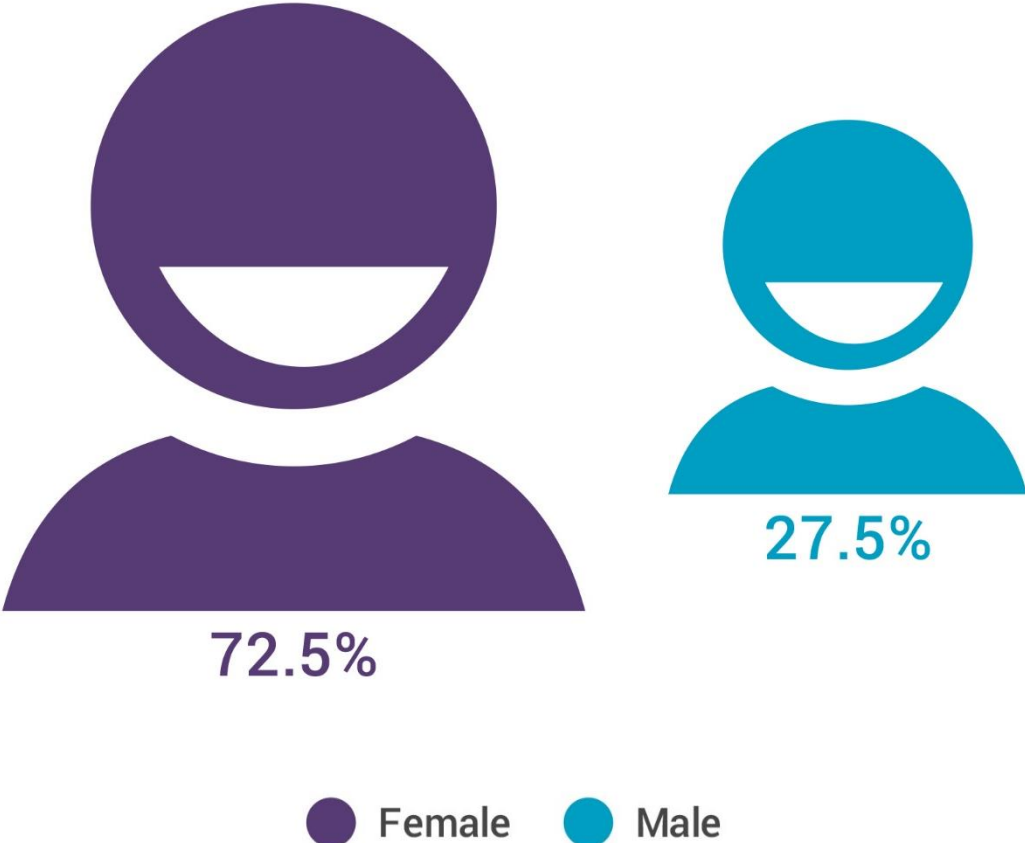
When the Nonprofit Was Founded



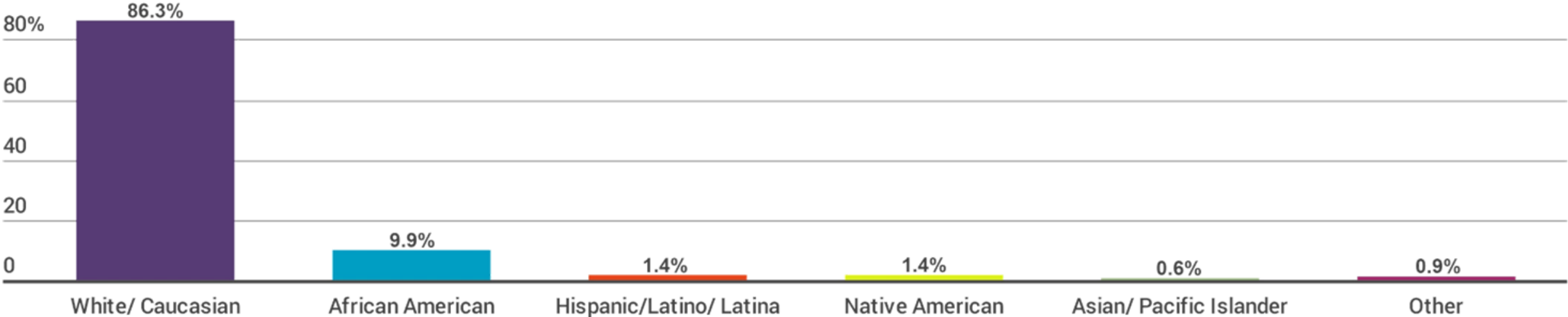
Age



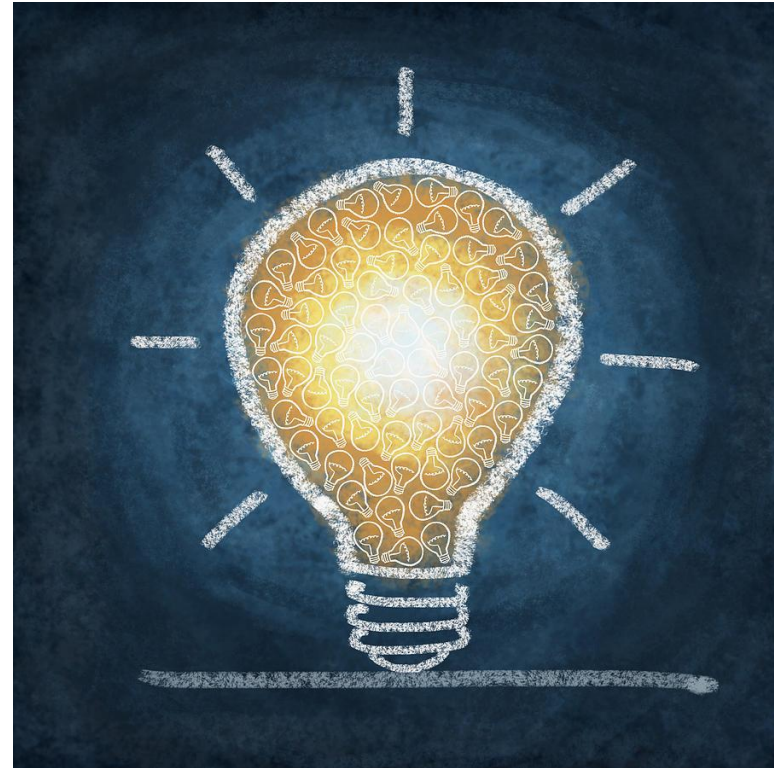
Gender



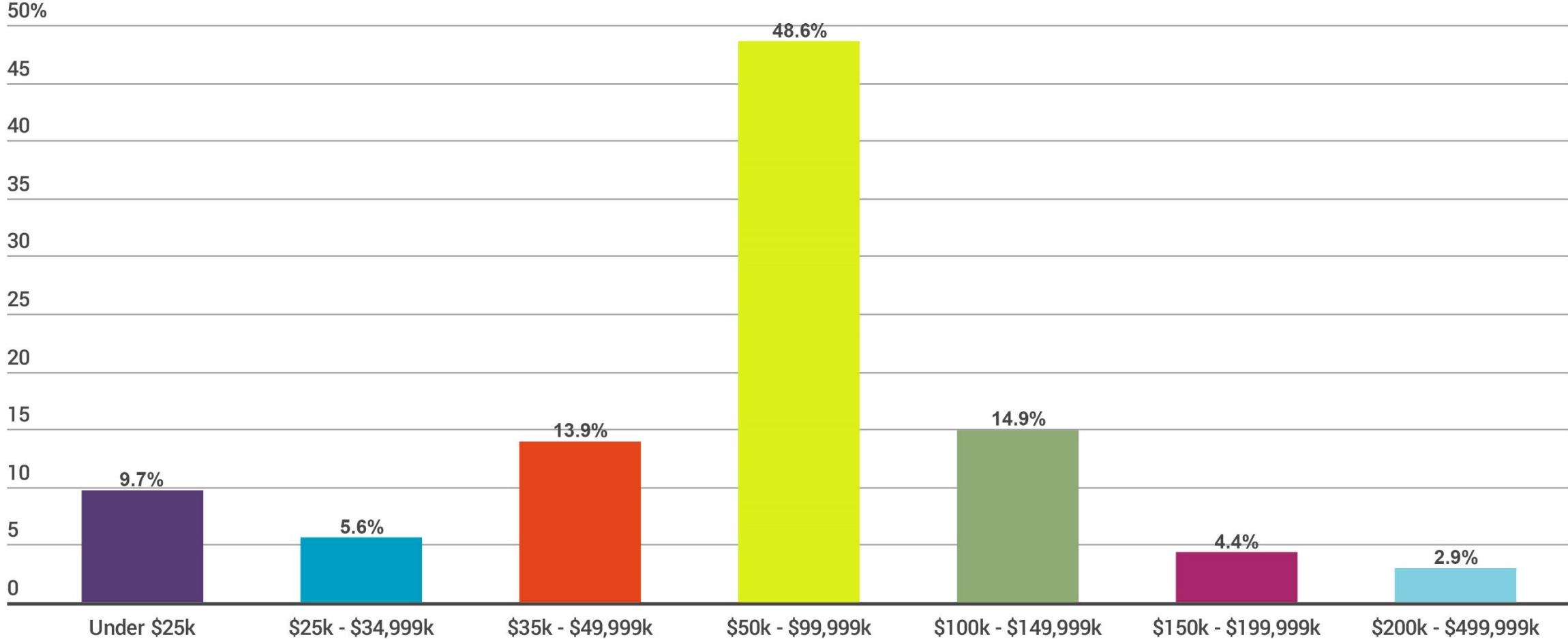
Race



79.3% are founders or co-founders
of their current nonprofits



Current Annual Salaries



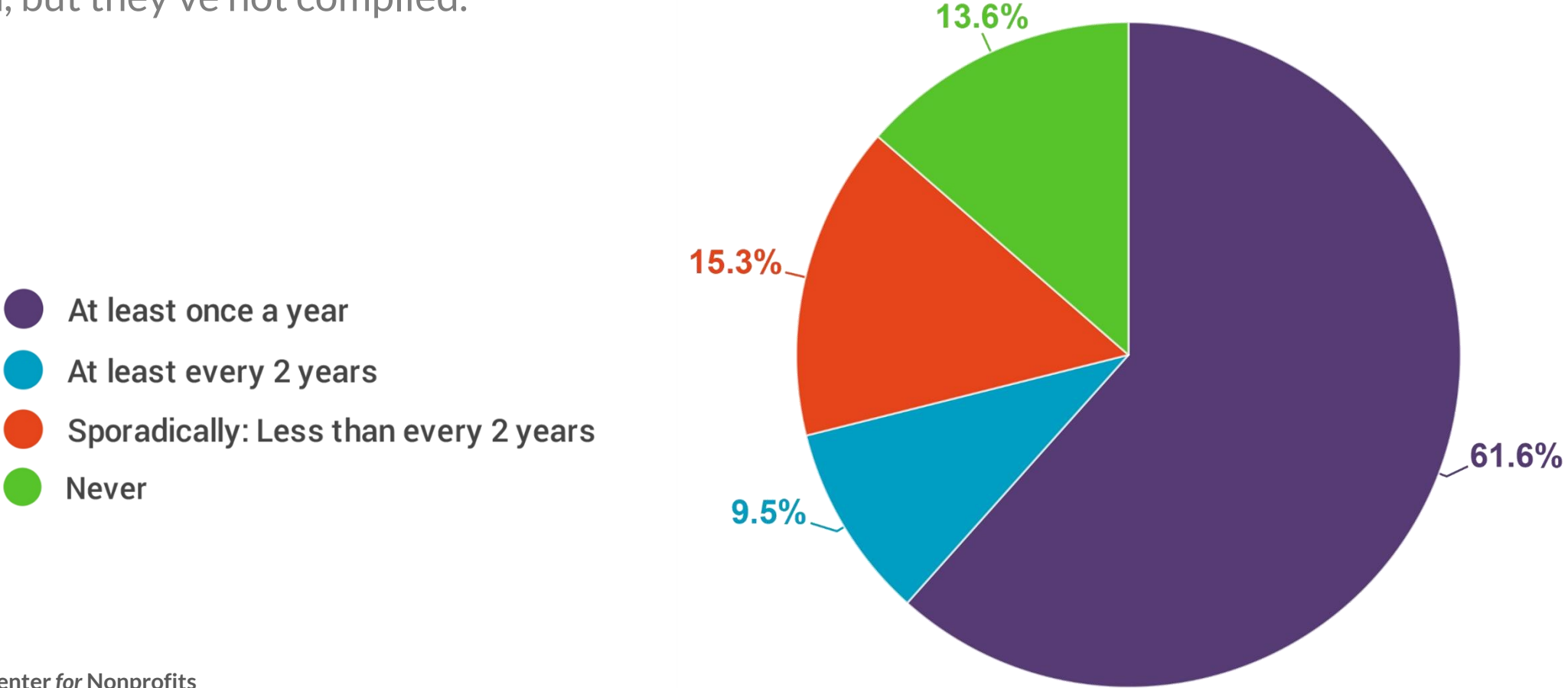
Satisfaction with their current boards' performance

	Very satisfied	Somewhat satisfied	Somewhat dissatisfied	Very dissatisfied
Ambassadorship in the community	29%	46%	20%	6%
Public policy and advocacy	14%	43%	35%	8%
Fundraising	9%	36%	34%	21%
Making personal financial contributions	23%	39%	26%	12%
Financial oversight	46%	40%	9%	5%
Offering support and guidance to the CEO	40%	38%	15%	6%
Treating staff with respect and appreciation	69%	24%	6%	2%
Specific expertise (technology, human resources, marketing, law, etc.)	34%	45%	17%	4%
Overall satisfaction with their current Board of Directors	34%	51%	13%	3%

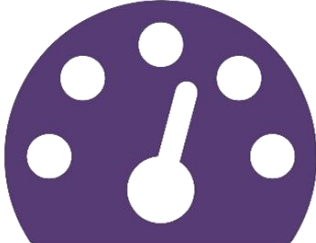
Most were very satisfied with the board's treatment of staff (69%), and a significant percentage were satisfied with their financial oversight (46%). There was dissatisfaction with the board's fundraising (21%) and personal financial contributions (12%).

Frequency of the board's evaluation of the CEO's performance

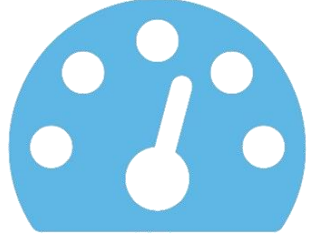
The majority (61.6%) have an annual performance evaluation, but 13.6% have never been evaluated by their board. Of those that responded never, 23.5% have requested their board to fulfill this governance function, but they've not complied.



How CEOs feel in their current position



43.6% **Very energized**



34.3% **Somewhat energized**



19.7% **Somewhat burnt out**



2.4% **Very burnt out**

What energizes and fatigues CEOs



88%

Energized by organizational strategy and vision



88%

Energized by external relationships and partnerships



45%

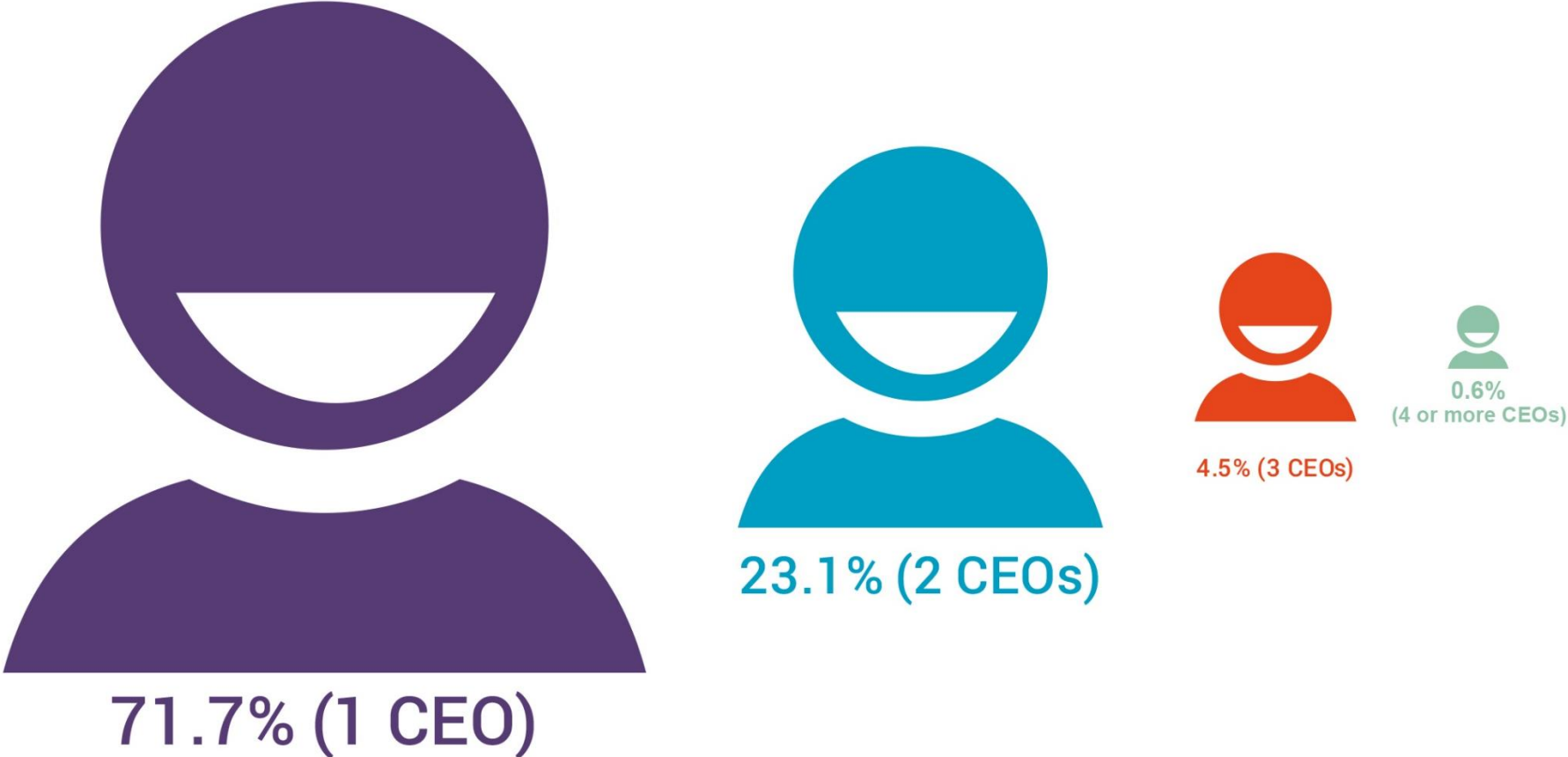
Fatigued by fundraising



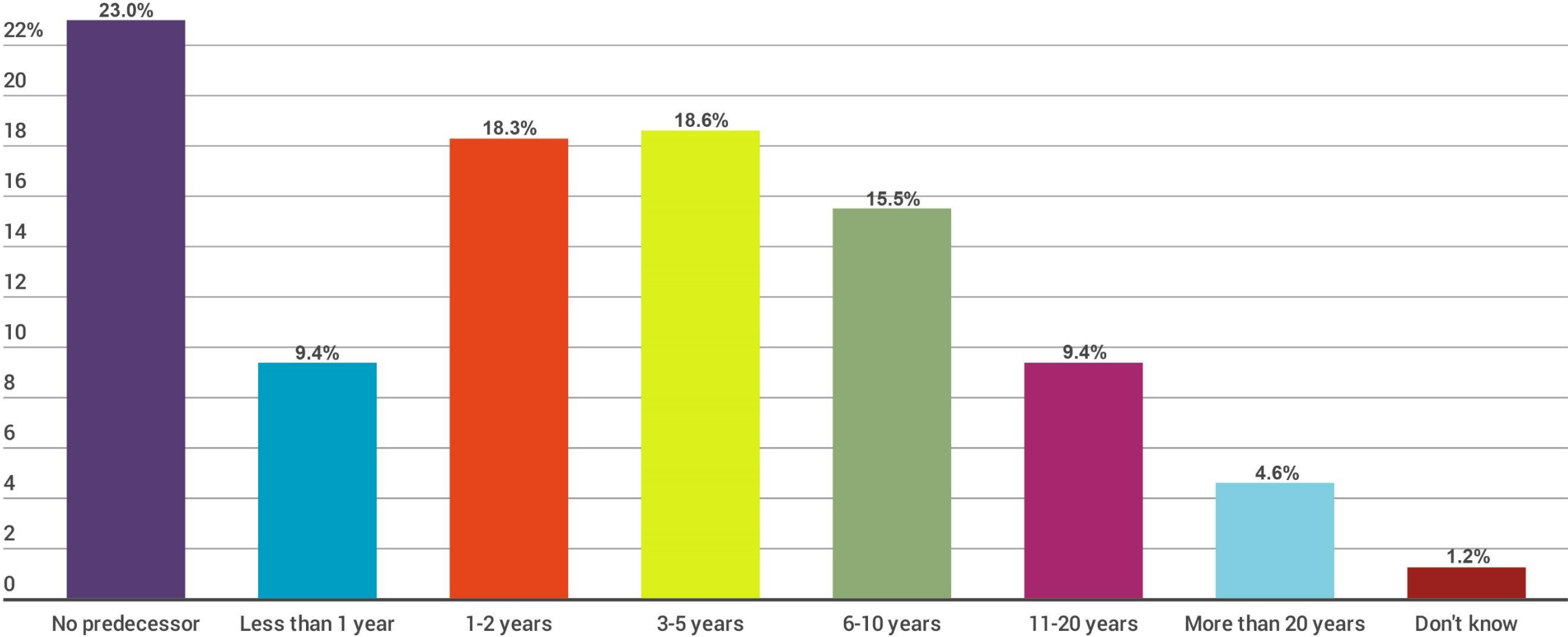
33%

Fatigued by working with the board of directors or trustees

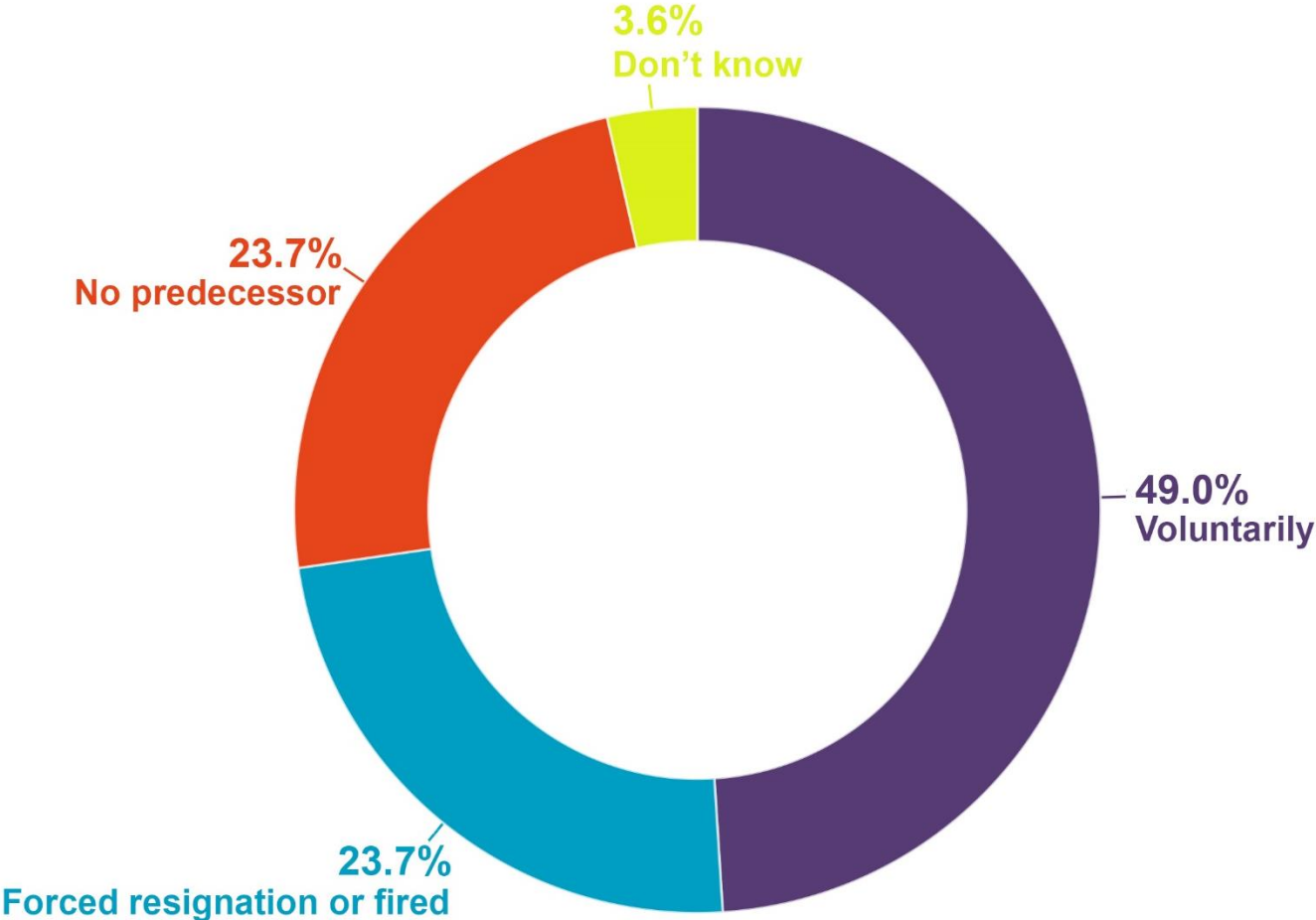
28.2% of nonprofits had two or more CEOs in the last three years



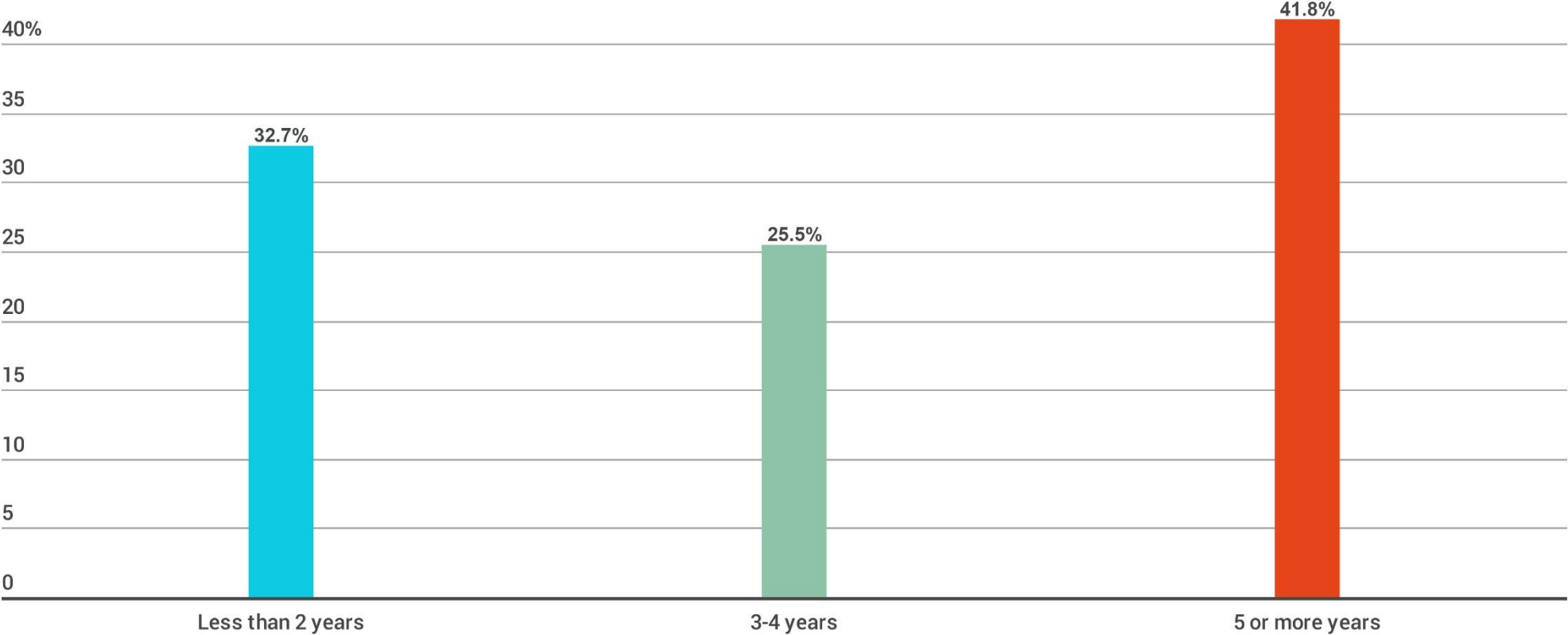
Years of service of CEOs' immediate predecessor



Conditions under which the CEOs' immediate predecessor left the CEO position



Number of years CEOs are expected to stay in their current positions

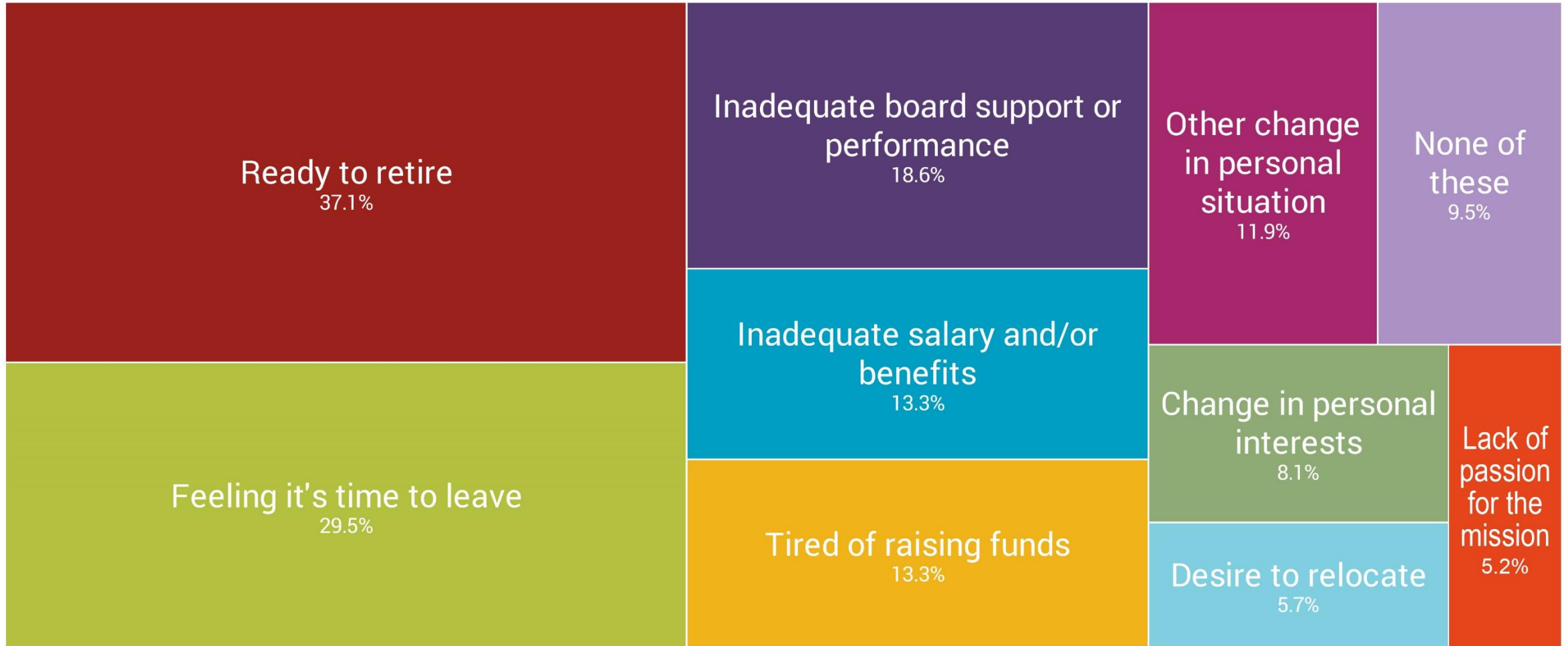


29.5%

of those planning to leave their position within the next two years have given notice to their board

The most important reasons that CEOs leave

(participants could choose more than one)



Why CEOs postponed leaving their positions

(participants could choose more than one)



Of the 11.9% who postponed retirement because they didn't have enough funds, 52.6% of their organizations contribute funds toward their retirement.

Regardless of when they leave, the primary thing the CEOs are most likely to do next is:



34.6%
Retire



6.1%
Relocate



19.7%
Leave for a known job



5.4%
None of the above



19.2%
Seek or create another job



3.2%
Focus on their health



11.2%
Don't know



0.7%
Provide care for a family member

For those CEOs who will continue working, the sectors in which they're most likely to work next are:



44.7%

Nonprofit sector



19.7%

For-profit business sector (including self-employment)



4.3%

Government sector



31.3%

No plans to work after current position

Emergency Back-Up Plans



33%

of nonprofits have a written, emergency back-up plan in case of a short-term absence of their CEO.



86%

Of those, 86% say that their board is familiar with it.



67%

don't have a written, emergency back-up plan for their CEO so their boards of directors are not practicing good governance and sound risk management.

Back-Up Leadership



74%

of CEOs responded that there is at least one person on staff whom they would trust to make important organizational decisions without any consultation from them.

Succession Plans



29%

of nonprofits have written, board-approved succession plans for their CEO position.



81%

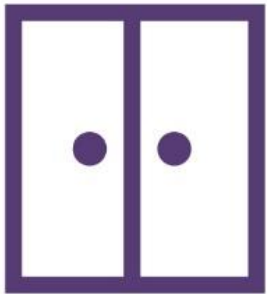
Of those, 81% say that the board is familiar with it.



71%

don't have written, board-approved succession plans for their CEO position so their boards of directors are not practicing good governance and sound risk management.

Boards Identifying Successors To Be CEO



3.4%

of boards of directors have explicitly identified a successor to be the next CEO when the current one leaves.

If CEOs were to leave their job today...



48.9%

feel there is at least one other person on the staff or board who would be a good candidate for their CEO position.



52.2%

told the board they think this person may be a good candidate.



51.9%

of those told their board about the candidate, and the board sees the candidate as credible.

CEOs' comfort level talking about their eventual transition with...

	Very comfortable	Somewhat comfortable	Somewhat uncomfortable	Very uncomfortable
A trusted friend?	88%	10%	1%	1%
A funder of their organization?	31%	31%	25%	13%
Their board chair?	56%	30%	10%	4%
Another board member?	47%	35%	14%	4%
Another staff person?	41%	31%	19%	9%
A pro bono consultant?	48%	34%	12%	6%
A paid consultant?	47%	30%	14%	9%

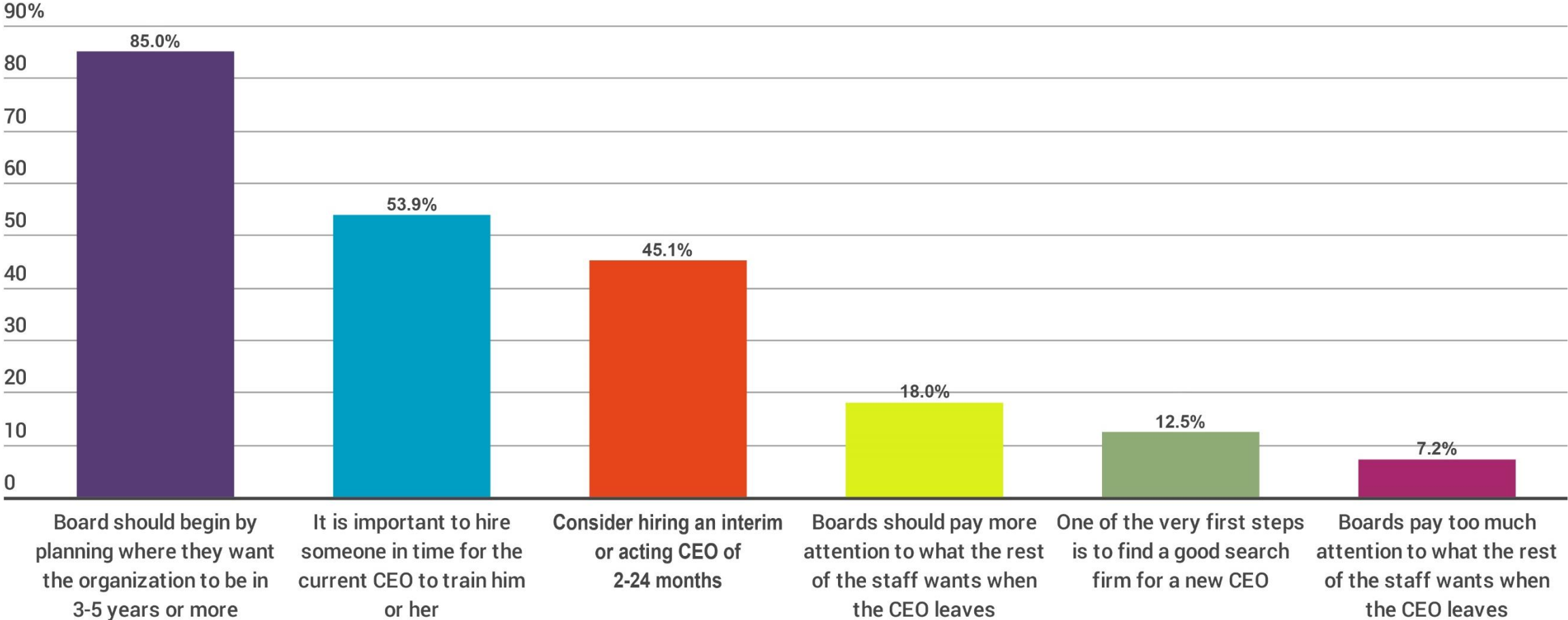
88% felt most comfortable talking with a trusted friend. 56% said they were very comfortable talking with their board chair. Respondents felt most uncomfortable talking with a funder (13%).

CEOs' comfort level talking about their eventual transition with other CEOs who...

	Very comfortable	Somewhat comfortable	Somewhat uncomfortable	Very uncomfortable
Have firsthand experience with executive transitions?	66%	29%	4%	1%
Are in the local area?	45%	34%	14%	7%
Are outside the local area?	51%	38%	9%	2%
Are in the same field?	58%	33%	7%	2%
Are outside of their field?	42%	42%	13%	3%

66% were most comfortable talking with other CEOs who have firsthand experience with executive transitions. They were least comfortable talking with others from their local area (7%).

85% of CEOs believe the board should begin by planning where they want the organization to be in 3-5 years or more (participants could choose up to three)





27.8%

of CEOs had firsthand experience with a search firm that conducted executive searches.

Of those, 51.2% would recommend other nonprofits use a search firm when hiring a CEO.



51.2%

Yes, usually



41.4%

No, or only in specific situations



6.8%

Don't know



0.6%

No firsthand experience with a search firm that works with nonprofit executive searches

Executive Search Firms Recommended by Nonprofits

The Center recommends “Working with a Consultant” (under Human Resources) in its [Principles and Practices for Nonprofit Excellence](#) as a useful resource. It includes questions to ask when interviewing consultants, tips for checking consultants’ references, and helpful guidelines for working with consultants.

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North Carolina Center *for* Nonprofits’ Resources on Succession Planning and Executive Transitions

- ♦ [Information Central](#) – Need information or help on various nonprofit management and leadership issues, including succession planning? Find answers to your questions, sample policies, articles, checklists, and more.
- ♦ [Call Before You Dig Into a Search](#) – The Center has partnered with a group of [Pro Bono Consultants](#) who work on succession planning and executive transitions. This service is open to all Center Members, and a team of two (CEO and board chair, two board members) can work one-on-one with a consultant for up to one hour. Get free advice early on to ensure your organization does it right.
- ♦ [Toolkit for Effective Succession Planning and Executive Transitions](#) – A variety of articles and sample policies to get you started on succession planning.
- ♦ Refer to the Center’s [Principles & Practices for Nonprofit Excellence: A Self-Help Tool for Organizational Effectiveness](#) for information on how to work with a consultant.
- ♦ A sample [Request for Proposals](#) (RFP) for soliciting bids from executive search firms provides a template that you don’t have to re-type and that you can adapt to your nonprofit’s specific needs.
- ♦ [Ready to Lead? Next Generation Leaders Speak Out](#) – A national study produced in partnership with CompassPoint Nonprofit Services, The Annie E. Casey Foundation, the Meyer Foundation, and Idealist.org.

www.ncnonprofits.org

North Carolina



Center *for* Nonprofits

Many missions | 100 counties | *One* voice