



Hiring the Nonprofit CEO: *Part I of a series on Best Practices for Nonprofit Organizations*

By David Martin

Introduction

It's a challenge all nonprofit organizations will face at some time: the CEO resigns, retires or in some cases, is terminated. For most nonprofit boards, successfully managing the departure of the current CEO, whether voluntary or not, and recruiting, hiring, and onboarding a new executive can be a complex process. It is a transition that is critically important to the organization's continuing operations, mission, and future success. In this article, I'll provide a general overview on how you can define your organization's needs and conduct a systematic search for an executive who can meet the challenges ahead.

Let's face it. The nonprofit CEO has a very tough job, especially in today's challenging economic environment. And compared to their counterparts in the for-profit world, nonprofit CEOs are generally not as highly compensated and will never be owners (stockholders) of the organization. So the nonprofit CEO and potential CEO candidate must have a real passion for the mission of the organization. And working toward achieving that mission *is* a big part of their compensation; they tend to be mission-focused.

Today's nonprofit CEOs are really under the microscope and are looked to for leadership by the stakeholders to whom they are responsible — the governing board, staff, funders, volunteers, strategic partners, and the public

at large. As tax-exempt organizations, nonprofits are under increasing scrutiny by the public and also by government entities that have free access to financial statements and compensation of top executives. So, today's CEO must be adept at managing up, down, and externally. That is, he or she is required to "manage up" by developing and continually nurturing a good working relationship with the volunteer Board of Directors and "manage down" by recruiting, retaining and motivating a top-notch staff. On the external side of the equation, the CEO needs to attract donors, strategic partners, and volunteers and also maintain good relations with the community. And the CEO needs to do all of the above in the face of increasing demands and limited resources. Sounds simple right?

Where to Begin: Starting the Search Process

It is critically important for the individuals involved in the search — presumably a search committee comprised of board members — first to define the key responsibilities of the job and the needs of the organization. Even this first step can be a challenge because there often tend to be varying opinions about the qualifications and characteristics sought in potential candidates. In fact, search committee members are sometimes selected *because* they bring a diversity of viewpoints. That can be good for the organization but does make it more of a challenge to develop a consensus about the ideal CEO. One approach

is for the committee to meet as a group to hammer out the details of the position requirements and ideal qualifications. Alternatively, the search committee chair might speak with committee members and other members of the board on a one-to-one basis to solicit their input.

Don't forget to seek input from the senior staff. After all, they will be working directly with the new executive on a day-to-day basis, and their input and insights will not only be very helpful but will also help to ensure their support when the new executive comes on board. We frequently recommend developing a survey document that can be distributed to all appropriate stakeholders around such key requirements as people management, financial management, fundraising experience, community relations, and so forth.

Completing the process described above will help to keep the search focused and on track, avoiding knee-jerk reactions that can lead to a decision that may later be regretted.

Remember that there may be some internal candidates, including senior staff or board members who are interested in applying for the position (although this often raises another set of questions). It is very important to be even-handed and not dismiss anyone out of hand. If a board member is interested, he or she is sometimes asked to resign from the board before applying. Senior staff may also apply for the position, and most organizations encourage an open process. The challenge that senior staff often face in applying is that, while they possess a good deal of organizational knowledge that might be of tremendous benefit, they also tend to be "pegged" by the board in the role they are in, so that it is tough for the staff member to break out of the mold. Additionally, the board may see the CEO's departure as an opportunity to go in a new direction, and the existing staff

may be associated with the "old way of doing business."

Resist temptation to fall into the trap of focusing on the outgoing CEO's skills and experience. In today's rapidly and ever-changing world, a new skill set may be required.

A few questions on which to focus on are:

- What leadership qualities, skills & knowledge are required for this position?
- Where do we stand now as an organization, financially and otherwise?
- What will this person have to accomplish over the next 12 months to earn an "A" from us?
- What is our mission?
- What is our vision for the next 3-5 years?
- What challenges are we facing over the next 3-5 years?
- What are our strengths and/or core competencies? Weaknesses?

Establish the Search Budget

The Search Committee should establish a budget for the search. If the organization is handling the search on an in-house basis, it is important to factor staff and board time into the budget. Other items to include are compensation for an interim CEO (or additional compensation for a current staff member), advertising, web postings, candidate travel expenses, relocation package, and possibly professional fees for an executive search firm or other consultant.

Create a Position Profile and Establish a Compensation Package

Once the committee has established key information, a [position description](#) should be created (or a previous one updated). Two to four pages is usually sufficient. The document should include:

- Description of the organization
- Mission and vision
- History
- Staff and size of budget
- Reporting structure
- Program information
- Financial health
- Some “sizzle” about why it is an exciting place to work and be
- The position’s expectations, list of responsibilities, application procedure, and deadlines, etc.
- Candidate expectations – degrees and certifications expected or preferred, years of experience, desired skills and attributes, etc.
- Compensation package – information concerning compensation can be specific or stated in general terms (e.g., Compensation is commensurate with experience, including a full benefits package.)

The goal is to attract the best qualified candidates within the parameters of affordability. While addressing the needs of the organization, this is an excellent time to define the compensation package. There are several good compensation reports available, and it is wise to benchmark the organization against similar organizations based on such factors as size, type, location, etc. Compensation can be considered an additional tool for narrowing the list of applicants as resumes are received. Of course, exceptions can be made if the perfect candidate surfaces;

however, an established guideline will keep the search on track.

Questions on which to focus might include:

- How does managing our organization compare to managing similar organizations, and how are their leaders compensated?
- What level of knowledge, experience and skills are required?
- How complex is the organization to manage? How large is the staff?
- Will we offer salary only? Salary plus bonus?
- What benefits do we offer? Are there any executive benefits we can offer?
- What is the cost of living in our community?
- How does managing our organization compare to managing similar organizations and how are their CEO’s compensated?

Don’t overlook the psychic benefits of working for a nonprofit organization, as they are unique to the sector, and can be a source of attracting private sector individuals to nonprofit work. Your mission and vision might be just the things that the perfect candidate is seeking.

Recruiting and Screening

At this point, the search committee has arrived at that part of the process where the “rubber meets the road.” All of their hard work planning, reviewing, defining, strategizing etc. culminates with recruiting and screening.

For purposes of this paper, we will assume the committee has implemented a variety of forms of advertising – web postings, publications, direct recruitment via networking with allied organizations etc. Again, assuming the efforts are successful, resumes will begin to

materialize. We offer you a few suggestions to keep this process organized:

- Designate one individual to receive all resumes via fax, mail, e-mail etc. To maintain confidentiality, it is recommended this person receive all correspondence in a location other than the office of the organization itself.
- This individual should be responsible for forwarding copies of all resumes to the search committee and for acknowledging receipt of the resumes from the candidates.
- Keep a log of resumes as they arrive.

Once the deadline for receiving resumes has been met; the search committee can then begin the task of reviewing and sorting them. At least two to three people from the committee should carefully read and sort each one. They can be compiled into three areas: the A-list (have all the right qualifications), B-list (good qualifications; might be suitable) and C-list (not suitable for the position). If the A-list is too large, it should be narrowed down by the search committee via a short phone interview to determine mutual expectations.

We recommend that the first round of interviews consist of five to six candidates who visit with the same interviewers. Keeping the same interviewers is important for consistency so as to not confuse the process. In round two, there should be two to three semi-finalists, and in the final round, one candidate should meet the entire board. The finalist should have both formal and informal meetings with the board, staff, at the organization's offices, social time, etc. After all, the committee wants to get to know the finalist under multiple circumstances.

Assuming the committee has found the future CEO of the organization, references (a

minimum of three is suggested) and background checks need to be completed. Background checks are generally conducted by a firm specializing in this type of work due to its confidential nature. Depending on the position, background checks may include verifying licenses, credit reports, driving record, academic degrees, etc. Also, don't overlook the obvious, which is to do some online searching of the finalists; there is an enormous wealth of information on the Internet, and you never know what might result.

Closing the Deal: Offer Letter and Contract

Assuming reference checks and background checks are completed to the satisfaction of the board, generally, the interview process is concluded with ratification by a vote of the Board of Directors. Once the board has agreed on the candidate, the final step is to offer employment via a letter or contract. It is important that the offer reflect all negotiations that took place during the interviewing process. Bear in mind, an offer is a binding contract with legal implications; legal counsel should review the document before it is submitted to the finalist.

After the Hire: The Onboarding Process

Success! The search is complete, and everyone can get back to work and breathe a sigh of relief. Not so fast; there is still work to be done to ensure the success of your new-hire. In fact, the first few months are the most critical. In a future paper, we will delve into this very important topic of [onboarding](#) more thoroughly; in the interim, bear these questions in mind:

- What can we do as a board to assist the new CEO and get him or her started on the path to success?

- What can we do to ensure a positive board-executive relationship?
- What can we do to ensure that we achieve the priorities and strategies we defined for the organization in the beginning stages of this transition?

Conclusion

The departure of an executive within any organization presents challenges, but it is also a time of great opportunity. It gives the NPO a time to reflect and examine from within and focus on the future. It can be a watershed

moment if managed properly. New strategies can be implemented, and the organization can take on new directions. And, despite the challenges, the organization can emerge stronger for the long haul.

Because of the vital importance of this challenge to organizations, Sterling Martin Associates anticipates sharing additional articles related to this topic that will address a more in-depth analysis of several of the points covered here.

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