

The Unique Challenges and Opportunities in Succession Planning for Non-Profit Boards

Leadership transitions can be one of the most challenging periods of an organization's life, but within that challenge lies an opportunity for Not-for-profit boards to strengthen and support long-term, sustainable growth. Yet [less than 3-in-10 not-for-profit \(NFP\) organizations have written succession plans in place, even as 54% of nonprofit chief executives expect to depart within the next 5 years.](#)

As we'll discuss, the pressures NFPs face during succession planning can be materially different from those of their corporate counterparts. Proactive succession planning, however, offers benefits beyond simply granting boards some peace of mind if executives were to unexpectedly depart. A robust, flexible, and well-communicated plan for executive talent is a powerful way for not-for-profits to clarify their long-term priorities, retain top employees, and ensure organizational stability.

The Double-Edged Sword of Not-For-Profit Succession Planning

Public companies face investors, proxy advisors, shareholders, and disclosure rules that, while often onerous, help create a repeatable structure for succession planning backed by widespread data and board members steeped in public governance experience. Private companies are granted wide latitude to plan largely how they please, with only key stakeholders to answer to.

Not-for-Profits fall somewhere in between, lacking many of the constraints of public companies and the relative freedom of private enterprise. The ranks of management may be thin compared to a public company's deep bench of executives (COO, CFO, CTO, etc.), but [NFP boards are often large, containing directors and donors who may or may not have traditional governance experience or dedicated talent professionals.](#) While there are no say-on-pay votes or shareholders to account for, non-profit pay is constrained by specific tax rules, donor optics, and tight budgets, all of which can make it difficult to attract top talent. Finally, the reliance many NFPs have on donations – and the personal relationships between leaders and key donors – adds a crucial, unique dimension to leadership transitions that makes proper planning even more vital. Beyond simply knowing who your next executive is, you need to prepare for the outgoing leader to seamlessly hand over the operational, reputational, and relational reins, and your donors may have opinions on that process.

That said, we've seen first-hand that challenges are not only surmountable, but come with their own unique advantages. The mission-driven nature of NFP organizations, combined with the lack of shareholders or profit-seeking stakeholders to account for, grants NFPs the flexibility to find diverse, passionate new leaders and nimbly adjust strategies. Such transitional flexibility, when harnessed correctly, can make the organization stronger, [as data on the benefits of bringing on an interim executive director showcases](#). In times of macroeconomic, regulatory, and political uncertainty, such agility can be an incredibly powerful tool.

Questions to Help Determine Succession Readiness

Despite the differences outlined above, there is still much NFP boards can learn from for-profit organizations. If nothing else, the need to work proactively is paramount. While we have helped many for-profit groups use succession as a strategic lever, many nonprofits still treat succession as something that happens to them and must be reacted to. That does not always have to be the case. Posing the following questions to the board can help determine readiness now and begin to address any potential strategic gaps.

1. **If our executive director left now, do we have a vetted plan to replace them?**

According to the Chronicle of Philanthropy, [a third of nonprofit leaders say they'll likely leave within 2 years](#). Whether the plan is promoting a candidate internally or finding an interim director while searching for a long-term leader, boards should know and regularly review their emergency plans.

2. **Have the necessary leadership skills or job descriptions for future leaders changed?**

The skills of your previous leader may not be the skills you need in your next one. As circumstances and strategies evolve, so should your desired leadership profile.

3. **Have we identified and developed strong internal candidates for leadership roles?**

Across the S&P 500, more than 60% of incoming leaders are promoted internally. [For not-for-profits, that number drops below 40%](#). That number does not necessarily indicate there is a lack of talent, but rather an opportunity for nonprofit boards to create a more robust assessment and development pipeline that identifies, trains, and retains tomorrow's leaders.

4. **Do we have the proper HR experience and network in place to find future leaders?**

The truth is that the non-profit sector's limitations on pay and unique, mission-driven nature can lead to a thinner pool of candidates than those at for-profit organizations. Some NFP boards lack dedicated talent professionals who

know how to source quality candidates and market the role effectively.

5. **Is there a plan in place for a smooth transition?** Finding the next leader is only half the battle. Boards also need to ensure that operations continue smoothly under new management, donors feel in-the-loop and appreciated, and remaining talent and senior leadership function effectively with the new director. We've seen cases, for example, where incoming directors begin to meet with key donors alongside the outgoing leader months in advance to build trust and credibility.

By seeking answers to the above questions now, instead of in a moment of crisis, boards unlock a useful lens through which to better understand the health of the entire organization. For example, the better the board gets to know the pipeline of future leaders, the easier it will be to identify and retain key talent. Furthermore, the more often boards consider the skill set needed to thrive in the future, the better they can support the organization as it evolves and adapts in the present.

In other words, the power of great succession planning for nonprofits is not just in disaster preparedness, but in long-term structural health. As we've seen at every organization we've partnered with, whether for-profit or not, the most successful talent plans start at the top.