

**STREETSMART NONPROFIT MANAGER** *Thomas A. McLaughlin*

## Don't Replace, Merge

### An open letter to board members

If this column has found its way into your hands, it may be because your organization no longer has a CEO. If so, as you think about who should write the job description, how you should recruit candidates, and who should be on the interview committee, please take this simple step:

**STOP!**

Put the telephone down. Close out of that computer file, and don't send any more email messages. Instead, take a few minutes to think about this opening not as a problem to solve but an opportunity to seize. Think about the opportunity you and your colleagues have to take a bold step, to demonstrate true leadership as volunteers who care deeply about your organization's mission.

Think about the alternatives to replacing the departing CEO. Think about a merger.

You're probably thinking the for-profit company where you work went through a merger a few years ago, or maybe your spouse was part of one. Certainly your bank has changed its name and corporate headquarters lately, maybe multiple times. None of these situations were exactly desirable, but they happened, you got through them, and in the end it was OK.

You know that there are forces at work in that sector that dictate major change, and you feel that it is always better to find ways to adapt to those changes rather than being run over by them.

Ask yourself, if you have come to expect this kind of change in your employer, your bank, or your grocery store, why should it be any different in the nonprofit sector?

Here is something you may not know. The nonprofit public charity sector, the one your organization is a part of, is growing rapidly. The numbers of these organizations are increasing every year, with no end in sight. To the extent that that represents innovation and local initiative and community involvement, it's a good thing.

But each one of those nonprofits competes with every other one for funding, clients, staff, and even good board members like you. And each one of those organizations requires a board of directors, a CEO, a business staff, a fundraising plan, and so on. Those are all fixed costs - overhead, if you will - and we all know how expensive fixed costs are today. Who doesn't have to justify every nickel they spend on overhead?

Here is something else

you may not know. If you were to ask the head of your local United Way or the CEO of a local foundation or the leader of most major national nonprofit federations about the numbers of nonprofits they see, they would almost certainly tell you the same thing. They'd say "There are too many of you. I get funding requests for duplicate programs from you guys every week, that leader would say quietly. Sometimes I can barely even keep track of you." They'd also tell you that they know better than to say this in public. You can guess why.

### A familiar solution

What's the solution? It's the same as in your industry: mergers. And the easiest way to increase the chances that a nonprofit merger will work is to seek a merger partner when you have lost your CEO.

Sure, you could just go through the usual steps and replace the person. You might even find another good one. But this whole question is about more than just a single position.

Today many nonprofits like yours find themselves facing rising fixed costs, a more competitive environment, and an increased emphasis on performance. Funders used to like to cre-

ate many small organizations in the hopes that one or two would come up with novel ways of delivering services. They still do that, but many are beginning to realize that good programs need good support. They give it terms like sustainability or organizational capacity or scalability.

Is this the first time you're hearing this message? That's not a surprise. Your CEO was pretty much your only source of information, right? Remember the CEO in the last for-profit merger you heard about? The one who didn't hesitate to recommend the merger even though he or she clearly wasn't going to get the top job? The one who got the golden parachute and plays golf four times a week now?

There are few golden parachutes in the nonprofit sector, and usually the deferred compensation arrangements aren't exactly overflowing with riches. Would you commit economic suicide?

If it helps, you should know that jobs in the nonprofit sector, especially direct service jobs, are rarely lost solely as the result of mergers. That's because this sector doesn't have to play games to satisfy Wall Street, and because there really is a strong commitment to the people who need our services.

### Next steps

Okay, your head is spinning now. If you'd like to

take advantage of this opportunity, here's what you have to do. First, talk to some of the other board members about your idea. Explain to them that it's always easier to merge two nonprofits if one of them doesn't have a CEO.

They'll suggest getting a replacement CEO first and then think about a merger. Tell them that if that happens the new CEO is going to settle in very quickly and you will have missed a big chance.

Appoint an interim CEO from inside. Make it clear to that person that you're trying to think through all the possibilities, and that the board will work closely with him or her through the transition process.

Someone on the staff, including the old CEO if you're still on good terms, will have already thought of one or more potential merger partners and will be glad to tell you if you have an honest dialog with them. Find a way to contact that

organization – you may even know one of their board members – and have an off-the-record conversation. You may be pleasantly surprised at their receptivity.

Nonprofits without a permanent CEO usually feel vulnerable, and in fact that vulnerability can actually impede discussion about a merger. You may want to engage a consultant to help bolster everyone's confidence that you won't lose out in a merger process. Or, perhaps the board can step up and temporarily take a more active role in looking out for the organization's interests. The truth is that nonprofit mergers, because money doesn't usually change hands the way it does on Wall Street, are more like planning exercises than intense negotiations anyway.

There's one last thing. This isn't about you and your ego, right? You got into this wanting to do the right thing for the people you serve, and for your community. You've probably always

prided yourself on making decisions on the basis of the facts, and you think you've got a decent business sense.

Well, here's an opportunity to show it. Here's an opportunity to create something bigger than you, bigger even than your organization's mission. As you think about it, that departed CEO was doing you a favor. What at first seemed like a giant pain now looks like a fresh new start. You can see the possibilities unfold.

Now pick up that telephone. *NPT*

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