

ICC 8th World Chambers Congress

Leadership Sustainability – CEO Succession

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Introduction

Succession planning is an ongoing, continuous process that boards implement to:

1. Create conditions for the incumbent CEO's success;
2. Understand the organization's current and future strategy;
3. Ensure a sound infrastructure is in place for the next CEO.

The elements of succession planning

Succession planning is a process for ensuring that the most qualified person is always running the organization. Its aim is not necessarily to groom a successor or determine ahead of time who the next chief executive should be. A good plan proposes guidelines and options for action when that action is necessary. The steps of the plan are activated when it is clear the present chief executive leaves suddenly or when the leave is planned.

To stay on top of things, the board should continually and faithfully evaluate its own performance, the performance of the present chief executive, and the success of the organization in fulfilling its mission. The results of these three assessments are the underpinning of successful succession planning. They provide the reasoning and direction of the plan. They help foster a healthy atmosphere in the organization and among the board members.

Specifically, a succession plan includes the following elements:

- An up-to-date job description for the chief executive
- Clear annual performance expectations for the chief executive
- Measurable indicators for the performance of the entire organization
- Determination at regular intervals whether the organization is going in the right direction and what the key qualities of the chief executive should be
- Assumption that the chief executive must be capable of taking the organization to its expected level of performance
- A process for hiring a new chief executive
- Options for managing the executive transition period
- Emergency measures for unexpected loss of the chief executive
- Keeping the board undivided and focused on the future

The benefits of succession planning

Every chief executive leaves the organization sooner or later. This happens because of retirement, health reasons, death, reassessment of personal priorities, or the board decides that it is time for the chief executive to go. By having a process in place to guide its actions, the board can avoid knee-jerk solutions or making quick-fix decisions. Being prepared allows the board to save time as

it does not have to start by planning the plan but rather it can immediately focus on pre-evaluated options. It is costly to make wrong decisions when hiring a new chief executive, but by having a clear action plan, the board is able to eliminate unnecessary steps that do not fit the present situation. By maintaining succession planning as a part of its regular strategic approach, the board can reduce the human drama of a leadership transition.

Who should be involved in the process?

The board is ultimately responsible for succession planning, keeping the plan up-to-date, and executing the plan. Naturally, it never is wise to proceed in isolation. Feedback from those affected by the final decision (staff, donors, other constituents) allows the board to stay on track and choose the right options as the plan is implemented. An exit interview with the parting chief executive can provide invaluable information. Relying on an outside consultant when assessing organizational performance can bring an unbiased view.

Obstacles for successful planning

Probably the main stumbling block for a workable plan is to misunderstand its scope. Succession planning is not limited to hiring a new chief executive or even planning for the executive transition. These are important components of the plan and therefore must be properly addressed. But to focus only on one segment of the process is ignoring the preparation that makes these steps successful. Succession planning is a continuous and cyclical process that only starts with the hiring of a new chief executive and the development of an evaluation process with that new leader.

Another obstacle is equating succession planning with internal grooming. In the for-profit sector it is common to train an insider for the leadership position. In the nonprofit world, where the bottom line is not the only criteria for success, it is impossible to determine the wanted qualities and characteristics of the next leader until a new person must be chosen. Neither do many nonprofits have the staff and resources to groom internal candidates. However, this reality is not a reason not to determine what skills the next chief executive should possess, how that leader will be found, and what kind of environment the board will create for the chief executive.

Determining Where You Are

In succession planning and executive transitions, a critical activity is a thorough assessment of the organization's functioning. It is recommended that the documents listed below be reviewed. Questions to be asked in reading them include: ***Are they up to date? Are the policies and procedures specified in them being adhered to? Do they provide the necessary information to ascertain the organization's underlying condition?***

1. Governing documents (by-laws, charter)
2. Mission statement
3. Strategic plans
4. Annual goals and work plan
5. Organizational chart
6. Personnel policies
7. Chief Executive job description
8. Balance sheet
9. Current budget & budgets for past 2 years
10. Most recent audit & management letter
11. Board of directors roster with affiliations and committee assignments
12. Board job description
13. Program descriptions with expenses & revenues
14. List of funders & major contracts
15. Recent brochures, newsletters, direct mail appeals, news clippings
16. Annual Report
17. Agency history

Others?

Defining Organization Direction and Priorities

An important step in succession planning is determining where the organization wants to go prior to an executive transition. The competencies sought in the next chief executive must be adjusted to fit your organization's unique drivers of change and institutional needs. This requires that the board take the time to understand the organization's current and future challenges, strengths, and needs.

Questions

1. What are the strengths and assets of our organization?
2. What are the weaknesses or problems?
3. How do the problems affect the search for a new executive?
4. Do we have a well-publicized mission statement that adequately states our organization's purpose?
5. Is our current mission statement an adequate reflection of our organization's present reason for existence?
6. Do the programs, services, and products reflect our mission?
7. What will be most important for our next chief executive to understand about our mission?
8. Do we have a collective vision of what will be different three to five years from now as a result of the work of our organization?
9. Is there agreement on who are the priority clients that the organization should be serving?
10. How will we expect the next chief executive to help us define and create our preferred future? Are we looking for a visionary or a chief executive who will engage others in defining, refining, and responding to the organization's vision?

Identifying Challenges

The board must assess the organization's current issues and needs, before it can articulate requirements for its next leaders. Considerations include the following:

1. What are the mega issues facing the organization?
2. What are the key drivers of change in the external and internal environment?
3. Have we recently engaged in strategic planning? If so, how adequate is our current plan?
4. Are we looking for continuity or change?
5. Is the organization able to attract and retain qualified, diverse, competent and committed employees?
6. Were there any "going concerns" cited in the last external audit?
7. Do you have an operating reserve? Have you had any cash flow problems?
8. Are any of our revenue streams likely to drop dramatically soon?
9. Is our salary structure and benefits package competitive?
10. Is our resource development plan adequate?

SAMPLE SUCCESSION PLAN

1. Rationale

The Chief Executive Officer position in a nonprofit organization is a central element in the organization's success. Therefore, insuring that the functions of the CEO are well-understood and even shared among senior staff and volunteer leaders is important for safe guarding the organization against unplanned and unexpected change. This kind of risk management is equally helpful in facilitating a smooth leadership transition when it is predictable and planned.

This document outlines a leadership development and emergency succession plan for the ABC NONPROFIT and reflects its commitment to sustaining a healthy functioning organization. The purpose of this plan is to insure that the organization's leadership has adequate information and a strategy to effectively manage ABC in the event the CEO is unable to fulfill her duties.

2. Plan Implementation

The Board of Directors authorizes the Board Chair to implement the terms of this emergency succession plan in the event of a planned or unplanned temporary or short-term absence.

- It is the responsibility of the CEO to inform the Board of Directors of a planned temporary or short-term absence, and to plan accordingly.
- It is the responsibility of the (INDICATE STAFF LEVEL VP OR DIRECTOR) to immediately inform the Board Chair of an unplanned temporary or short-term absence that will last XX months.
- As soon as feasible, following notification of an unplanned temporary or short-term absence, the Board President shall convene an Executive Committee meeting to affirm the procedures prescribed in this plan, or to modify them if needed.

3. Priority Functions of the CEO at ABC

The CEO position description is attached to this plan. Among the duties listed in the position description, the following are considered to be the key functions of the CEO and have a corresponding temporary staffing strategy (see Section #3 for further guidance about temporary staffing).

Key CEO Functions	Temporary Staffing Strategy
Leadership and Vision	Board Chair with Strategic Initiatives Director
Board Administration and Support	Strategic Initiatives Director and Executive Assistant
Member Services and Programs	Member Services Committee Chair with

Key CEO Functions	Temporary Staffing Strategy
(includes Membership Renewal)	Member Services Director
Financial Management	Treasurer with Executive Assistant and Accountant
Human Resource Management	HR Director
Community & Public Relations	Communications and Outreach Committee Chair, Board President and Communications and Outreach Director
Spokesperson	Board Chair or his/her Designee

In the event this plan is implemented and assigned positions are vacant or no longer available, the Board Chair shall select other senior staff to support each of the key CEO functions.

4. Succession plan in the event of a temporary, planned or unplanned absence - Short-Term

a. Definitions

- A temporary absence is one in which it is expected that the CEO will return once the events precipitating the absence are resolved.
- An unplanned absence is one that arises unexpectedly, in contrast to a planned leave such as vacation or a sabbatical.
- A temporary absence is 30 days or less.
- A temporary short-term absence is between 30 and 90 days.

b. Temporary Staffing Strategy

- For temporary planned or unplanned absences of 30 or less days, the Temporary Staffing Strategy described above may become effective.
- In the event of a temporary short-term planned or unplanned absence, the Executive Committee shall determine if the Temporary Staffing Strategy is sufficient for this period of time.

c. Appointing an Acting CEO

Based on the anticipated duration of the absence, the anticipated return date, and accessibility of the current CEO, the Executive Committee may appoint an Acting CEO, as well as continue to implement the Temporary Staffing Strategy.

d. Standing Appointees to the Position of Acting CEO

- The first position in line to be Acting CEO is the (DESIGNATE POSITION).
- The second position in line is (DESIGNATE POSITION).

- In the event the available staff is new to the position or fairly inexperienced with ABC, the Executive Committee may consider another appointee or the option of splitting executive duties among designated appointees.
- The CEO shall develop a training plan for each Director level position for each of the key functions of the CEO listed in Section 3.
- An up-to-date training plan shall be attached to this document.

e. Authority and Restrictions of the Acting CEO

- The Acting CEO shall have full authority for day-to-day decision-making and independent action as the regular CEO.
- Decisions that shall be made in consultation with the Board Chair and/or Executive Committee include staff hiring and terminations, financial issues, taking on a new project, and taking public policy positions on behalf of the organization.
- For additional communication guidelines refer to the organization's operating policies on transitions.

f. Compensation

- Staff appointed as Acting CEO may receive an end of year bonus or additional benefit. This shall be determined by the Executive Committee based on the duration of the assignment and available resources.
- If staff serves as Acting CEO for 6 months or more, the Executive Committee may consider a salary adjustment.

g. Board Oversight and Support to the Acting CEO

- The Acting CEO reports to the Board Chair.
- The Executive Committee shall be alert to the special support needs of the Acting CEO in this temporary role. The Executive Committee shall convene monthly when an Acting CEO is appointed.

h. Communications Plan

- Within 48-hours after an Acting CEO is appointed, the Board Chair and the Acting CEO shall meet to develop a communications plan including the kind of information that will be shared and with whom. The following chart identifies key supporters and a primary contact to facilitate communication.
- As soon as possible, the Board Chair and Acting CEO shall implement the communications plan to announce the organization's temporary leadership structure to staff, the Board of Directors and key supporters.
- Updated contact information shall be maintained in the organization's database with the following designations:
 - Key Contact List
 - Extended Key Contact List

- Past Board Officers/Members List
- Foundation CEOs
- Members
- Other Organization Contacts
- Within 10 business days, the Board of Directors shall distribute a press-release with general information appropriate to the situation.

Key ABC Supporters	Communication Responsibility
Government, Civic and Nonprofit Leaders	(INDICATE APPROPRIATE STAFF PERSON) with designated Board Members
Foundation Program Officers (holding Grants and Contracts with ABC)	Member Services Director with designated Board Members
Major Donors	Designated Board Members responsible for phone calls to top 10 followed by a letter to all donors
Members	Designated Board Members with Staff create phone tree
Non-Members	Designated Staff
National Colleagues	Designated Staff
Personal Colleagues	Designated Staff with designated Board Members
Auditor Legal Counsel Insurance Agent	

5. Succession plan in the event of a temporary, unplanned absence - Long-Term

a. Definition

A long-term absence is 90 days or more.

b. Procedures

- Procedures and conditions to be followed shall be the same as for a temporary short-term absence with the following addition:
The Executive Committee shall give immediate consideration, in consultation with the Acting CEO, to temporarily filling the management position left vacant by the Acting CEO, or reassigning priority responsibilities where help is needed to other staff. This is in recognition that, for a term of 90 days or more, it may not be reasonable to expect the Acting Director to carry the duties of both positions.
- The Board Chair and Executive Committee are responsible for gathering input from staff and reviewing the performance of the Acting CEO according to the

organization's Performance Review Policy. A review shall be completed between 30 and 45 days.

6. Succession plan in the event of a PERMANENT unplanned absence.

a. Definition

A permanent absence is one in which it is firmly determined that the CEO will not be returning to the position.

b. Procedures

- Procedures and conditions to be followed shall be the same as for a temporary short-term absence with the following additions:
 - The Board of Directors shall consider the need to hire an Interim CEO from outside the organization instead of appointing an Acting CEO. This decision shall be guided, in part, by internal candidates for the CEO position, the expected time frame for hiring a permanent executive, and the management needs of the organization at the time of the transition.
 - The Board of Directors shall appoint a Transition Committee to implement the organization's Executive Succession Policy to transition to a new permanent CEO. A copy of this policy is attached.

c. Hiring an Interim CEO

- If an Interim CEO is hired, the Board Chair and Executive Committee shall negotiate an independent contractor agreement with a defined scope of work.
- The scope of the agreement with an Interim CEO shall be determined based on an assessment of the organization's needs at the time of the leadership transition.
- The rate of compensation shall be based on guidelines for Interim CEOs followed by the Maryland Association of Nonprofit Organizations.

d. Responsibilities of the Interim CEO

- An Interim CEO shall have full authority for day-to-day decision-making and independent action as the regular CEO.
- Decisions that shall be made in consultation with the Board Chair and/or Executive Committee include staff hiring and terminations, financial issues, taking on a new project, and taking policy positions on behalf of the organization.
- For additional communication guidelines refer to the organization's operating policies on transitions.

e. Board Oversight and Support to the Interim CEO

- The Interim CEO reports to the Board Chair.
- The Executive Committee shall be alert to the special support needs of the Interim CEO in this temporary role. The Executive Committee shall convene monthly when an Interim CEO is hired.

- The Board Chair and Executive Committee are responsible for gathering input from staff and reviewing the performance of the Interim CEO according to the organization's Performance Review Policy. An initial review shall be completed between 30 and 45 days and 90 days thereafter.

7. Approvals and maintenance of record

a. Emergency Succession Plan Approval

- This emergency succession plan shall be approved initially by the Board of Directors.
- Thereafter, annually, the Executive Committee shall review the plan and recommend amendments to the full Board as needed.

b. Signatories

- The Board Chair, the CEO and the appointees designated in the Emergency Succession Plan shall sign the plan.
- At all times the Board Chair and Treasurer and at least one Director level staff, in addition to the CEO, shall have signature authorization for checks and contracts for the organization.

c. Financial Considerations

- It shall be the responsibility of the Executive Committee to review the organization's finances during an unplanned absence of the CEO.
- ABC maintains an operating reserve that the Board Chair is authorized to access with Executive Committee approval.

A CHIEF EXECUTIVE SUCCESSION PLANNING CHECKLIST

- ❑ Is there a current and adequate written job description that clearly spells out the responsibilities of the chief executive?
- ❑ Is there a climate of mutual trust and respect between the board and the chief executive?
- ❑ Is there agreement between the board and the chief executive on their respective roles and mutual expectations?
- ❑ Does the board have a constructive process for reviewing the chief executive's performance, salary, and benefits on a regular basis?
- ❑ Does the board have a regular and effective process for assessing its own performance?
- ❑ Do board members support the current mission statement?
- ❑ Do the board and chief executive have a collective vision of how the organization should be evolving over the next three to five years?
- ❑ Does the board have a clear understanding of the financial condition of the organization?
- ❑ Does the board have in place emergency transition management policies if the chief executive was not able to serve or departed suddenly?

DISCUSSION WORKSHEET

- 1) Do you anticipate an executive transition in the next five years?
- 2) What functions does the CEO perform (including those not in the job description) that are most valuable and hard to replace?
- 3) What growth opportunities exist either for the CEO?
- 4) What growth opportunities exist for the chamber?
- 5) Does the staff possess “bench strength” in its management team to fill in for the CEO short term? If not, where can we seek assistance?
- 6) Does the board possess a shared vision for the future direction of the chamber? What is it?
- 7) Are there politics or personal agendas that might interfere with succession planning? If so, what are they?
- 8) Does the board have a constructive partnership with the CEO? How does the board support the CEO?
- 9) Does the board assess its own performance?
- 10) Does the board assess organizational performance and effectiveness?