

## WHY PLAN FOR SUCCESSION?

Associations that consider their own sustainability will also develop plans for smooth and thoughtful transitions of leadership. Whether a transition occurs due to an unexpected vacancy, or the anticipated transition of a long-tenured leader, being ready with a plan in place can help weather the inevitable challenges of leadership transition.

### Key Findings:

- Gain the commitment of Board and senior staff to manage transition intentionally
- Identify current challenges and those that lie ahead, and the corresponding leadership qualities that are needed to navigate the challenges successfully
- Consider whether placing an interim leader at the helm is the right path to take
- Draft a timeline for leadership successions that are planned
- Create an Emergency Leadership Transition Plan to address the timely delegation of duties/authority for an unexpected transition or interruption in key leadership
- Identify leadership development opportunities for staff and Board members to expand leadership skills so that the organisation will have a pool of future leaders
- Cross-train current staff to minimise disruption from unexpected staffing changes
- Make plans to adequately support newly-placed employees, such as with coaching, mentoring, and defining goals
- Communicate: What will we say to stakeholders before, during, and after a transition of leadership? Thoughtful communications are needed in order to support the staff and Association during the transition process
- Proper Induction: Help new Board Members and staff leaders feel confident and find their own voices.

## WHO IS RESPONSIBLE FOR PLANNING FOR TRANSITIONS OF LEADERSHIP?

It is Board members' fiduciary responsibility under the Companies Act 2006 to ensure the long-term sustainability of the Association – which can depend on there being the 'right' leader in place. Succession planning is not just 'making a plan' it's a risk management strategy to ensure the sustainability of the Association. Drawn-out or uncertain succession plans sap confidence, and CEO transitions are vulnerable times for organisations.

Most of the time, the CEO's departure is viewed as a far-off, theoretical event, and it is easy for succession to get neglected in favour of more immediate and tangible issues the Board must address. Succession planning also underscores the current CEO's mortality; on an emotional level, active and structured succession planning can be seen to relegate the current CEO to lame-duck status, or at least create concerns. Succession planning almost always stirs up uncomfortable issues, and the Board must maintain continued commitment to work past them.

Good succession plans do not happen in a vacuum; they are unlikely to be established and properly maintained unless certain prerequisites exist. Boards must begin their evaluation by looking at these requirements.

### **First, there must be an established level of trust between the Board and the CEO.**

The Board must be fully apprised of the CEO's plans and expectations, and, at the same time, active succession planning must not be seen to undermine the CEO's position. While the Board Chairman or lead director (in the case of a sub-group) obviously plays the key role here, that trust and communication should extend, as much as possible, between the CEO and the entire Board. Alongside that trust and communication, there needs to be a clear demarcation of authority between the CEO and the Board. While the CEO should expect to give input into the succession process, that process needs to be driven by the Board. A Board that cannot deal with its own succession properly will likely not succeed in the replacement of the CEO.

### **Second, the Board must approach succession planning as an ongoing process rather than as an item to check off on an annual agenda.**

Good succession planning interacts with multiple elements of the business – especially corporate culture, strategic planning and leadership development – and thus is a critical component in its own right.

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## **Next, the Board should examine its own track record on succession.**

Has the Board handled its own succession well or has it become entrenched with long-serving members? Are the right people on the Board? How smooth was the company's last CEO succession? These sorts of hard questions need to be asked so the Board can ensure that its own behaviour and culture are fully supportive of the succession process.

## **A current and detailed strategic plan is at the centre of the process.**

That plan should be fairly specific through the next three to five years in addition to setting forth objectives in broader strokes for the period beyond that. Such a document is essential for identifying the qualities to be sought in the next CEO.

## **Finally, Boards need to evaluate the company's HR function and its ability to operate as a full partner in the succession process.**

Identifying and strategically developing internal candidates is essential to successful succession, though difficult in a small association.

## **DEVELOPING AND MAINTAINING THE PLAN**

With the necessary prerequisites established, the Board can begin the task of developing the actual succession plan. The plan, which is maintained as a collection of written documents, should include the following five elements:

- The experiences and competencies to be sought in the next CEO, based on the Association's current strategic plan. Competencies that are needed to implement changes listed in the strategic plan should be the priority (e.g. lobbying, commercial awareness, mergers and acquisitions).
- Up-to-date assessments and professional development plans of any internal candidates (including Board or Committee Members) aggregating a wide range of information, including findings from competency-based interviewing, 360° feedback and psychometric testing. Plus parallel documents assessing any external candidates, with a summary of information that has been gathered from available sources and professional networks. It may be appropriate to bring in an external consultant to assist with this work (see list at end of this document).
- A succession timetable, developed with the incumbent CEO, that establishes dates for the determination of finalists, the selection of a new CEO and the point at which the incoming CEO actually takes office. Ideally, these dates should stretch over sufficient period to allow time for a full evaluation of finalists and for a suitable transition period after the successor has been chosen.

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- An emergency plan so that in the event of an unplanned vacancy, the Board can either quickly decide on a successor or, if there is no obvious choice, designate an interim CEO and, if necessary, a temporary reassignment of duties among management. This document should include internal and external communications plans. The emergency plan should determine how these various tasks are to be executed and who is to be given the authority to oversee their implementation. On previous history, it is important to ensure those 'acting up' into more senior roles are rewarded accordingly.
- Having developed a comprehensive succession plan, Boards must maintain it. The plan should be reviewed in its entirety at least every six months to ensure that all components - particularly the CEO role description and the assessments of internal and external candidates against that description - are current. The professional development plans of internal candidates should be specific to those assessments, addressing areas where additional experience is needed. It also is important for the Board to have meaningful formal and informal contact with internal candidates, both with and without the current CEO, including Board/committee meetings, one-on-one conversations and site visits.

The plan should be reviewed at *least* every six months.

## IMPLEMENTING THE PLAN

- Approximately one year before a planned transition, the full Board should meet to implement the succession plan. The CEO competency list should be given a final review and revised as necessary. The Board then should conduct a thorough assessment of the any internal candidates, including in-depth competency-focused interviews that probe for the skills and talents essential for the role; 360° referencing that provides added insight from superiors, industry peers, colleagues and direct reports, and finally measurement against peers at other Associations. Psychometric testing may also add valuable insight. If found to be lacking, the Board will have to recruit externally using the competency list.
- Once a Board has chosen a candidate, whether internal or external, it should think through the possible ramifications regarding the remaining internal candidates. After all, the Board's responsibility for succession planning - and for maintaining a pipeline of internal candidates - continues even with a new CEO in place, and the Board should consider the impact of rejection on its passed-over candidates and the consequent impact on the induction of the new CEO. NB - promising them that 'it is their turn next' is to be avoided, as history has shown.

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- The news should be delivered in one-on-one meetings in advance of any public announcement. For some staff it may be enough to reassure them that “no” today does not rule out “yes” at some point in the future. Others, however, may be at a point in their careers where that is not a viable message. For them, the strongest appeal may be that even though they may not be CEO, they still will have a greater opportunity to accomplish and add value at their current association than elsewhere. The new CEO may find it appropriate to create Deputy CEO or other significant leadership roles as a way of solidifying commitment on both sides.

## THE SUCCESSFUL TRANSITION

If the Board chooses an internal candidate, it will have the opportunity to implement a comprehensive transition plan to provide the new CEO with a solid foundation, as well as to give a sense of closure to the outgoing CEO’s term. Exposure and communication to Board members, staff, Members, and stakeholders are the central themes. A “listening tour” to these key constituencies gives the incoming CEO the opportunity to build political capital, understand commercial agendas and begin to solidify his or her vision before formally taking the reins. These meetings should be in both groups and one on one; some will be with the incoming and outgoing CEOs together and some with the incoming CEO alone. Successful transition provides a sense of stability.

The greatest communication, of course, takes place between the incoming and outgoing CEOs. Indeed, the transition period is one long “data dump” between the two, as the outgoing CEO briefs his or her successor on the operating styles, histories and expectations of Board members, senior management and other stakeholders. The incoming CEO then can begin to take ownership of the planning process for the beginning of his or her watch.

- A thorough transition programme can take up to a full year. Associations that select external candidates, however, rarely will have the luxury of so much time – six months is probably the most that could be expected. The goals and principles are the same, however, which means that the Board will need to compress the transition process and manage it more closely rather than omit it. It may be desirable to extend the outgoing CEO’s employment beyond the standard term of notice in order to facilitate sufficient handover.
- Appropriate recognition of the outgoing CEO is an important component; failing to show appreciation for an outgoing leader’s accomplishments risks alienating his or her supporters in the company and on the Board.

## THE BOARD'S ULTIMATE RESPONSIBILITY

Managing the CEO succession process is a Board's ultimate responsibility. The cost of short-changing this process is high, but investing the requisite time and attention brings an equally high reward: maintaining momentum as the company transitions from one leader to the next. In addition, ongoing succession planning helps the Board to be better informed and aligns the development of the senior management team with the strategic needs of the Association. Beyond its usefulness in risk mitigation, CEO succession planning contributes to the successful governance and management of the Association long before a successor is needed.

## OTHER INFORMATION

### **Sources of Information on Succession Planning:**

- [Institute of Association Leadership](#)
- [Trade Association Forum](#)
- [Harvard Business Review](#)
- [Russell Reynolds Associates](#)
- [Stanford Graduate School of Business](#)

### **Recruitment Consultants for CEO positions:**

- [Niall Campbell](#)
- [Gatenby Sanderson](#)
- [Nicholas Associates](#)
- Support available from the [Institute of Association Leadership](#)
- Executive search section of [www.apsco.org](http://www.apsco.org)
- [National Association of Executive Recruiters](#)
- [Interim Management Association](#)

### **Places to advertise:**

- Institute of Association Leadership
- Trade Association Forum
- Broadsheet newspaper Executive jobs section: Times / Guardian / Telegraph