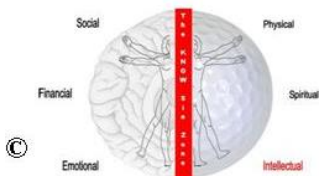


Have You Prepared To Pass The Baton



Succession Planning



Copyright 2016 Bill Carlucci



Introduction

Succession Planning is an important component often addressed as part of strategic planning. It is critical to the success of the organization and should provide for a process that recognizes, develops and retains top leadership talent. Boards often create a succession plan outlining the process for retaining, developing, and/or replacing the Chief Executive of a nonprofit organization. While this plan is thoughtfully created and then put in the drawer until needed, it is critical for both sustaining and advancing the organizations future growth.

The succession plan is linked to the mission, the strategic goals, and fundraising with the intent of keeping the organization moving forward. Nonprofit organizations that are committed to maintaining strong leadership create succession plans to ensure continuity of leadership.

Succession planning can also mean creating an objective in a strategic plan around succession planning for all senior staff positions. If the organization is interested in developing an internal process to ensure that it develops and retains the best people, it may outline a development plan for each key position in the organization.

Succession planning is becoming particularly important as the baby boomer generation nears retirement age. Recent articles are stressing that 50 to 75% of non profit leadership will be retiring within the next five to eight years. This is expected to create a limited pool of candidates and a leadership gap in the nonprofit community. Many boards are creating a plan or road map on how they would go about replacing/filling key leadership positions.

Key Considerations in the Succession Planning Process

- Identify the long term vision and direction of the organization. (See Case for Support)
- Review the mission and values of the organization.
- Determine who the key leadership people are that you want to develop and nurture for the future.
- Determine which positions need a succession plan – not all positions in the organization require a plan.
- Identify core competencies and skills needed to lead the organization.
 - Determine talents needed for the long term.
 - Review current job description and revise and update.
 - Review salary history, budget, and market rates for position.
 - Seek key stakeholder input.
- Determine interim management and leadership plan for unplanned leaves
 - Appointing an acting director from inside organization or contracting with another person for specified time period or until another person is hired.
 - Develop timeline and position description for interim position.

- Hiring a Permanent CEO/Executive Director for Planned Exit
- Appoint Search Committee or charge Personnel Committee with key responsibilities and expectations – their work plan.
- Determine recruitment strategies:
 - Hiring search firm vs. board managed process.
 - Seek bids and determine fees, scope of work, etc.
 - Develop selection criteria for key candidates to recommend to the board.
 - Develop communication strategy- key stakeholders.
 - Develop transition plan – mentoring and coaching, orientation, etc may create an individual development plan with key expectations and performance review process for first year.
 - Define roles of search committee and board during search and interview process.
 - Create communication strategy during the process.
 - Determine decision making process.
 - Hiring process.
 - First year plan.

Questions as you Start the Transition Planning Process:

- Would we expect a leadership transition in the next five years?
- Do we expect to promote from within the organization – is this a value that is important to us?
- Would we expect a national, regional, local search?
- Would we use a search firm or conduct the search for ourselves – should we budget for a search firm?
- Do we have the right mix of board members for hiring a new executive?
- Is the job doable? Founder positions can be unique so it may not be practical to expect it to remain the same for a new person.
- What if a board member wanted to apply for the position? How would we handle that type of situation?
- Do we have the money budgeted for the search process and the correct compensation package? Will we have to pay more for salary or benefits package than we are paying now? Will we pay for relocation?

Consideration if moving from a “founder” CEO to a “hired” CEO

There are some differences when moving from a founder to a hired CEO. The board must take some additional steps to ensure a smooth transition.

- 1. Developing and updating a succession plan** or set of steps for hiring a new ED will be the responsibility of the board. These steps are outlined as discussed by the board and will be reviewed and updated annually. This is called the “the plan in the drawer” should they need to exercise a plan upon the immediate departure of the current CEO/ED.
- 2. Leadership and governance will change** under a “hired” CEO if going from a “founder” CEO. The board’s role and responsibilities will be different than working with a “founder” CEO. The board should begin preparing for this transition over the next three years. It will need to review its structure, roles and job description, expertise for board slots, committees and other issues as part of preparing for this transition. The board is used to playing more of a “supportive” and “guiding” role to a founder. It will have to move into a governance role and should begin preparing one to two years before the exit of the founding CEO.
The board should hold one or two board meetings without the founder being present in order to practice meeting without the founder. It needs to interact with the senior management team and experience what a board meeting is like without the founder present.
The board and founder have to determine the exit plan for the CEO and what short and longer term role they might play in the organization. For example, some founders remain in an advisory role for three or four months, some continue fundraising for the organization for six to twelve months, and others act as a project manager for a capital campaign or complete a feasibility study for a large new project such as a facility renovation, merger or new program.
- 3. Preserving the culture of the organization** – the internal culture is defined as the ways of operating that have made the organization successful, its values and commitment, and the way it works in the community to implement its mission. It will be the responsibility of the board to ensure this continues after a “founder” CEO leaves the organization. It is important for the board to understand the underlying values of the organization and what they want to preserve under a new CEO.
- 4. Developing the Strategic Plan** - one to two years out the organization should create a three to five strategic plan so that a new CEO will have a road map or guide for the first one or two years after they start. It is useful to provide an existing strategic plan that has at least one year of implementation completed so that the new CEO has a guide for a year or two. Do not start a strategic plan just before a “founder” leaves or within the first six months of hiring a new CEO.

The Succession Plan

The succession plan decides on what steps will be taken to transition from a current leadership to a new CEO. It is an outline or description of the process that the Board of Directors has previously decided it would use to recruit, hire and supervise a new CEO.

The plan outlines the following steps:

1. Review process for defining the skills profile, qualifications and leadership priorities for a new CEO. This includes a review of the current strategic plan including mission, vision, values and goals or strategic results to be achieved in the next two to three years. It is important for the organization to have a clear sense of its strategic direction before it begins a hiring process.
2. Review key partnerships and collaborations to see which are important and could impact future relationships. Is this the time to consider reorganization, merger or major changes in organization?
3. Review and determine job description, salary and benefit package and other compensation issues such as relocation, hiring bonuses, etc. Review budget and adjust accordingly.
4. Review financial statements and financial position for next 6 to 12 months. Draft letter on the process to key funders. Engage them if necessary.
5. Determine search and recruitment process and steps. – see outline in the plan. Key will be whether the organization is using a search firm or conducting the search through the board.
6. Determining timeline for search and recruitment process. Count on a four to six month timeline for adequate recruitment and contingencies.
7. Determine if interim appointment needed for short term transition.
8. Review management team and their roles in organization. Determine if internal promotion is an option and how that will be handled. This could be Step 3 in a larger organization.
9. Review board expertise, roles and responsibilities to determine if additional talent is needed on the board. Some boards bring back former chairs or key members for the search and hiring process.
10. Develop communication plan for the process both internally and externally.

Board of Directors Role

The Board of Directors plays an important role during the hiring of a new CEO/Executive Director. The board has to have the right mix of members with the skills to lead the organization through the transition. They need a strong board chair that can lead the process and clearly articulated roles for committees that might be involved in the process. The board must know enough about the organization to be able to develop the job description and describe important skills and qualifications for the next CEO. They must have members that understand the mission, programs and values of the organization. The board should understand the financial position of the organization, its key funding sources and what fundraising activities will be required in the near term.

Key considerations include:

- Board role in governance, board development and committees.
 - What resources or training would be helpful to board members?
- Mission and strategic priorities for the organization.
 - What are our core operating values and how do we live out these values during the hiring process and the transition.
- Financial situation – current budget year and the next budget year
- Funding sources and fundraising activities to support the budget
- Understanding of the role the board will play during a transition of leadership.

Role of Current CEO/Executive Director

The current CEO has an important role to play in the hiring process and the transition to new leadership. This includes helping the board define key skills and qualifications for a new leader. The current CEO can help evaluate their job position to inform the board on what strengths and weaknesses they have brought to the position and thus the organization.

It is important to have healthy closure with the departing CEO. The board should honor the departing CEO for their contribution and their legacy at the organization. The board should also avoid allowing unresolved issues to continue that will sabotage the new beginning of the new CEO.

Defining their transition role is also important. What role will they continue to play and for what time period? Will they stay on in a fundraising or consulting capacity for a limited time? Will they train their new replacement? Are they expected to introduce the new CEO to key funders and stakeholders?

Finally the current CEO should develop a transition memo on key information for the new leader. This memo should cover key issues facing the organization, key external relationships and other information needed by a new leader.

Appointing An Interim Executive Director

The board of directors will be responsible for appointing an interim executive director if a CEO leaves unexpectedly or is out for illness or personal reasons for a defined period of time.

It is expected that the position will be filled by an internal staff person or persons for a defined period of time. In some cases, an external person is hired when no internal person is appropriate for the position.

- The board will review current staff members and positions to determine who might be appropriate for the position.
- Annually the board shall discuss this with the current CEO/Executive Director to review who on the staff might be most appropriate and what individuals and/or positions might provide management during a transition or unexpected leave.
- The board shall review salary compensation and provide an adjustment for increased responsibilities during a transition.
- The Executive Committee and board chair shall take on more of an active oversight role with the organization.
 - The board chair will act as the external spokesperson for the organization.
 - The treasurer should have bank statements sent to their home and review all financial activity on a bimonthly basis or more often if needed.
 - The Executive Committee should carefully review the budget and year to date financials to determine if any changes should be made for the remainder of the financial year.
 - The board chair shall act as the supervisor for the interim director. The Chair should expect to have weekly meetings (phone) with the interim director.
 - The board chair should prepare a letter to all key funders and stakeholders announcing the interim director and providing an outline of the succession planning timeline and steps.
 - The board chair shall meet with the full staff to announce the interim position, the board role and outline expectations for the transition time frame. If a hiring is going to occur, He/She should also outline the succession plan, timeline and steps including staff involvement.
 - The Executive Committee should expect to meet monthly during the transition period.

Appointing New CEO/Executive Director

Search Process

The board of directors has outlined a search process and will review and update annually. This search process is based upon the board taking an active role in the search and making the final decision as a group of the whole.

Review and Revision of Job Description and Qualifications

The first step will be for the full board to review the existing job description and qualifications. They should outline what skills, experience and background, expertise, management and characteristics they are seeking in the next Executive Director. The board will also need to establish a salary range and benefit package for the position. As part of the process the Board will:

- Interview key stakeholders in the community to determine their recommendations and comments. Stakeholders include funders, peer economic development leaders both in the region and nationally, former board members, and community opinion leaders.
- Interview and seek staff input either as a group or in individual meetings to determine what would work best.

Important categories for reviewing potential qualifications are the following:

- Management (human resource, financial, and program)
- Fundraising including marketing and public relations
- Industry specific knowledge
- Strategic thinking and communication skills
- Leadership skills

The board will prepare a revised and updated job description and a description of the ideal candidate for use by the screening committee. This description should include salary range and benefit package description.

Key questions to ask in reviewing the job description include the following:

- Will the job be the same as what is currently being done?
- What do we want in a CEO? In what ways will it be different than the current structure – will it be different in year one, three to five years from now?
- Do we want a different leadership model than we have had in the past? Do we want to restructure the position in any significant ways or our expectations about key responsibilities of this position?
- What is our total compensation package? Can we make it attractive to people with different compensation priorities?

Screening Committee

The board shall establish a screening committee. This committee shall be chaired by the board chair or their designee. The committee should be composed of at least four other members who agree to manage the search process and recommend three finalists for consideration by the full board.

As discussed by the full board, the screening committee will:

- Consider adding an external service provider to the committee.
- Discuss the feasibility of using a recruitment firm or consultant to help with the process.
- Establish a budget and timeline for the process.
- Create a marketing plan for advertising the position. This would include key listings on industry websites, networking within the region with a letter to referral sources, ads placed locally, and listing on websites such as monster.com or craigslist.com. XXXX would be key national organizations to inform of the position and use their job advertising services.
- Complete a background check on each finalist.
- Set up a mailbox to receive all resumes and applications.
- Develop a marketing kit (email PDF) on the agency and the position.
- Establish process to screen and review all submitted resumes.
- Develop ranking criteria and selection process to interview up to 7 candidates. (Could be initial phone screening interviews by individual committee members, then joint in-person or phone interviews by several committee members.)
- The screening committee will keep the board informed on the progress, candidates and the interview process. The Chair shall keep the staff informed of the process so that there is regular communication and updates to them.

Selection Process

- The final three candidates shall be recommended by the screening committee to the full board. The board will develop interview questions and an interview protocol.
- The board will need to decide whether they are paying for out of town candidates' expenses and what will be reimbursed. They will also need to design criteria and ranking process to guide the conversation.
- The board chair should be authorized to make the offer to the selected candidate. Communication to the other candidates should also be undertaken by a board member.
- The board should develop a communication plan to announce the appointment of the new executive director. This should include announcing to staff, funders, and key stakeholders.
- A press release should be prepared and submitted to local press and distributed in the XXX newsletter.

Supervision

- The board should establish a clear set of six month and annual performance objectives for the individual in written form. These objectives can be mutually developed but must be clearly understood by the board and the new executive director. Using an on-boarding and orientation process, the board shall design the first day, the first week, the first month and the first six months of expectations and activities for the new executive. The new CEO/Executive Director should be evaluated based on these performance objectives which will act as a guide for the person in the position and the board.
- The board chair will be responsible for developing an orientation to the agency, the board and key funders. If the person is from outside of the region, then the board should be prepared to assist with introductions and key meetings.

Role of the Departing CEO

- The departing CEO shall be retained for a three month time frame in a consulting role to assist and advice with fundraising. This role will include maintaining grants and reports to all current funders, research to identify five new funders and successful procurement of two new funding sources in the amount of or above \$XXXXX.XX. The departing CEO shall not be involved in management of the organization.
- The departing CEO agrees to mentor the new CEO for XXXXXX weeks. This includes sharing the transition memo, reviewing the strategic plan and all key programs, introductions to key community stakeholders and assisting in other activities to ensure a successful transition.

Attachment 1

Checklist – How Prepared is the Organization for a Leadership Change?

- ✓ Clearly identified organizational chart with lines of authority and responsibilities designated
- ✓ Board and staff leaders ready and prepared to step up in the event of a change – planned or unplanned
- ✓ Accurate and up-to-date list of key stakeholders exists with at least one board member and one staff member having access. (funders, board members, staff members, active volunteers, partner organizations, key collaborations, membership groups and other important names
- ✓ Communication plan on who is contacted when and why during a transition.
- ✓ Organized and central source for corporate documents including minutes, grants, contracts, vendors and account numbers.
- ✓ Annual organizational work plan with key performance outcomes, annual calendar of key activities and funding/contract deadlines.
- ✓ Annual operating budget with current month comparison to actual expenditures. 12 month cash flow projections.
- ✓ Board approved policies and procedures for personnel, finance, operation, etc
- ✓ Board approved succession plan for filling the position.

NOTES:

[illegible]

NOTES:

[illegible]