MHS Alliance

BOARD WORKS

VOLUME 1, ISSUE 5

DECEMBER 19,2007

Succession Planning

By: Rick Stiffney

Introduction

Who will be the next CEO of your organization?

That question lies behind the idea of succession planning, which is a popular topic across the not-for-profit sector. Although popular, this topic is one that boards and executives find difficult to address. Succession planning is about executive transition. The topic can be threatening when the board opens the conversation and unsettling if the CEO does so.

The purpose of this issue of *Board Works* is to de-bunk the myths surrounding the topic, set it in a larger context of leadership and governance for not-for-profit organizations, and outline a few suggestions to help both the board chair and CEO engage in meaningful and productive conversation.

Broad Definitions

An organization can experience executive transitions in two ways – either unanticipated or anticipated. I'll illustrate both and then turn to the kind of planning that is appropriate with each. Good succession planning lays the foundation for smooth executive transitions.

Unanticipated transitions might result from precipitating event that leaves the current CEO incapable of further service. Such transitions can be sparked by a surprise resignation, critical illness, or termination of the CEO by the board. In these cases the board needs to have in place an emergency succession plan, which can provide maximum support to the organization and minimize negative dynamics. The core elements of such a plan appear below.

Anticipated executive transitions are the result of a retirement, resignation with appropriate notification, or a board's non-renewal of contract and an agreed-upon exit plan. The fundamental characteristic of these circumstances is that the board and CEO have time to anticipate the transition and to plan wisely in order to navigate the issues that are part of the process.

Key features of an *emergency succession plan*

The organization will benefit from the CEO and board working together to put into place an emergency succession plan that includes these elements:

1. The CEO develops one or more senior staff members who could be capable of serving as interim CEO on a short-term basis.
2. On an annual basis the board reviews candidates and determines which one the board would designate as interim CEO if such an appointment were needed.
3. In some cases the board might designate a position rather than a person; the approach would vary from organization to organization.
4. The CEO's perspective is valuable in determining who would be capable to serve, but the decision is ultimately one the board should make.
5. The interim appointment is usually short-term -- from a time of weeks to as much as nine months.
6. A well crafted succession plan includes a straightforward job description that outlines fundamental expectations of the interim CEO and clarifies lines of communication and accountability.

A copy of MHS Alliance's basic emergency succession policy is highlighted below. Additional resources are available at www.mhsonline.org **(cont'd on Page 2)**

DATES TO REMEMBER:

- **March 26 MHS Alliance Commission for Sponsorship**
  1:00 p.m.— 9:00 p.m.
  St. Louis, MO
- **March 27 MHS Alliance Sponsorship Lunch and Summit**
  12:00—2:30 p.m.
  St. Louis, MO
- **March 27 Annual Members Reception and Meeting**
  2:30—5:30 p.m.
- **Mennonite Health Assembly**
  March 27—30 2008
  St. Louis, MO

Succession Planning (cont'd)

Key features of an *anticipated executive transition*

The CEO can facilitate the process of planning for an executive transition. The CEO can:

1. Develop senior staff who have the potential of being candidates for the CEO role.
2. Stay current with the board chair in terms of satisfaction and future employment trajectory.
3. If the CEO has decided that it's time for a change, establish with the board chair a window of time for transition, e.g., "not sooner than . . . , but preferably not later than. . . ."
4. Agree with the chair when the decision reached in No. 3 can and should be shared with the board executive committee and board.
5. Reach agreement with the board and honor communication and disclosure understandings.
6. Keep serving as CEO as effectively as possible.
7. Offer positive support to the board about the search work when asked, but not inject himself or herself into the process.

The board chair can:

1. Give the CEO freedom and space to share about the future in a non-threatening way.
2. Honor the confidentiality of these discussions.
3. Negotiate with the CEO permission to share the substance of CEO's thinking with executive committee and board at an agreed upon time. (Generally, one year is plenty of time for an anticipated transition to be public.)
4. Serve as the lead voice to the board in guiding the planning process

Conclusion

A strong plan for executive transition is an essential asset for every healthy not-for-profit organization. Having a plan in place can help the organization move forward smoothly when the time comes to say good-bye to one leader and begin the search for a successor. Even as the organization undergoes the stresses and strains normally associated with transition to new leadership, it can continue to fulfill its mission effectively, especially if the organization's stakeholders – its owners, staff members, and clients – know that the board has already thought about and adopted a sound executive transition plan.

The Research Shows That. . . .

Succession planning has been studied seriously by social researchers. MHS Alliance has uncovered these findings in a review of the literature*:

1. Survey data indicate that two-thirds of CEOs anticipate a change during the next five years.
2. Three-fifths of all CEO transitions during the last five years were non-routine, that is, they came about during an organizational crisis or the departure of a founder.
3. Only 30 percent of current CEOs said they had discussed succession issues with the board.
4. Approximately one-third of CEOs reported they had identified a potential successor.

MHS Alliance welcomes the opportunity to work with your not-for-profit organization with a range of services related to the succession process. Call Keith Stuckey at (717) 560—4296.

Our Vision

To be a community of vibrant Anabaptist health and human service ministries committed to God's work of healing and hope in Jesus Christ.

Our Mission

MHS Alliance strengthens and extends Anabaptist health and human service ministries in faithfully and effectively fulfilling their missions..

234 South Main Street, Suite 1
Goshen, IN 465226
Phone: (574) 534-9689
Fax: (574) 534-3254
Website: www.mhsonline.org

For further information or to suggest topics for future issues of Board Works, please contact MHS Alliance at Emily@mhsonline.org.

*Sources: Thomas Tierney, "The Leadership Deficit"; Annie E. Casey Foundation, Nonprofit Executive Leadership and Transitions Survey; Jeanne Bell, Richard Moyers, Timothy Wolfred, "Daring to Lead 2006"; and CompassPoint Nonprofit Services and The Meyer Foundation.