

## The Board's Role in Executive Succession Planning

### Introduction

One of the most important responsibilities of a nonprofit board is to ensure that competent executive leadership is in place for the organization. Even if current executive leadership is functioning very well, there are proactive steps a board should consider in order to be prepared for future leadership transitions.

Every organization should have a short-term Executive succession plan in place. This plan will outline the process for providing leadership for the organization during anticipated or unanticipated short term absences of the Executive. Although the development of a short term succession plan is not within the scope of this paper, a sample *Short Term CEO Succession Plan* is available.

For boards who wish to review their long-term Executive Succession Plan or who wish to develop such a plan, this paper outlines some of the considerations. If your Executive has just resigned and you are searching for help in managing the transition process, the paper, *When the CEO Resigns: Decisions the Board Must Make* will likely be more relevant for you.

### Proactive Planning for an Executive Transition

Some boards are cautious about preparing for an eventual transition because they are afraid that it might suggest to the current Executive that the board is ready for a leadership change. The potential for unintended messages can be reduced if the board makes it clear that it is interested in proactively planning for future leadership transitions. Wise Executives will welcome this work.

Executives and board chairs are encouraged to periodically discuss the subject of the Executive's thoughts about length of tenure. For additional information on this topic see *CEOs Finishing Well: Planning Sets the Stage*. Building trust through open communication is critical.

Whether a leadership transition takes place a year from now or ten or more years in the future, careful planning can reduce the anxiety and focus the critical decisions that need to be made during a leadership transition. Both the board and the departing Executive stand to benefit when the leadership transition is as smooth as possible.

### Strategic Readiness

Organizations and boards that are functioning at a high level will be well positioned for a leadership transition. For these organizations, a plan for the future will be in place and is being implemented, the board is committed to improving its functioning and the board and Executive are working as a team. Performance is good. Trust is high. Not only is this good for the organization, but it also makes the organization more attractive to prospective Executive candidates.

Foundational board practices that set the stage for a positive Executive leadership transition include:

- An effective annual Executive performance review
- An annual board self-assessment process with an ongoing board development plan.
- An effective organizational planning process
- A strong board/Executive partnership

### **Grooming Future Leaders**

Developing internal leaders should be a priority for each Executive. While it is not the Executive's prerogative to select the next leader, the Executive should be developing internal leaders so that one or more of them would have the potential to be considered for the Executive position when a leadership transition does occur.

In addition to the steps that the Executive may take independently to develop internal leaders, the board should clearly communicate its support of the Executive's efforts. Asking the Executive to annually review his/her plan for developing internal leaders with the board and to periodically update the Executive Committee regarding the preparedness of potential candidates helps to establish leadership preparedness as a priority.

One of the key benefits of planning for Executive succession is that the board can identify its strategy for increasing the likelihood that qualified candidates will be available when a leadership transition does occur.

When feasible, organizations are encouraged to attempt to prepare several persons who will be qualified to be considered for the Chief Executive position. Studies indicate that well prepared internal candidates have a higher success rate than external hires. While there is no guarantee that any of the qualified candidates will be selected, having multiple qualified internal candidates available greatly increases the options for the board to consider.

### **Identifying Assumptions**

Identifying assumptions ahead of time provides a starting place for dealing with a leadership transition when it does occur. It is easier to modify a few assumptions, if necessary, than to develop them all at once.

In addition to getting ready as discussed earlier in this paper, the following are assumptions that your board may wish to consider as you develop your Chief Executive Succession Plan. The statements below are intended to be a starting place. You are invited to modify these assumptions and to add others, as needed, to fit your board's preferences.

## **Assumptions**

1. The board of directors is responsible to select and appoint the new Chief Executive.
2. Annually, the board and Executive ensure that the strategic plan and Executive position description are current.
3. The Executive is expected to give at least a six month notice. One year is reasonable for managing “lame duck” dynamics and completing a search process.
4. The Executive’s resignation should be in writing and identify the effective date.
5. The board is responsible to develop and implement a communication plan to announce the Executive’s resignation. Any public announcement of the planned departure will take place within four weeks of the receipt of the written resignation. However, the public announcement will not occur more than a year in advance of the planned departure date. (The paper entitled *When the CEO Resigns: Decisions the Board Must Make* provides more detail about the actual development and implementation of the communication plan.)
6. Within three weeks of receiving the Executive’s resignation, the executive committee of the board (or board chair) recommends a Search Committee to the board. The board appoints the members.
7. The Search Committee consists of approximately five members including at least two executive committee members.
8. The Search Committee represents diversity in experience, age, and perspective.
9. The Search Committee sizes up its work, often leading to a recommendation of a search firm to conduct a search for a permanent Chief Executive.
10. With input from others as needed, the Search Committee is expected to:
  - Assess the status of the organization in order to identify leadership qualities that are needed.
  - Develop compensation and benefit guidelines for prospective candidates.
  - Review the candidate profile of desired qualities with the board for its input.
  - Keep the board and staff and other key stakeholders informed of its progress at appropriate junctures.
  - Bring a recommended candidate to the board for consideration or in the absence of a clear recommendation, bring two finalists to the board for consideration.
  - Maintain confidentiality as appropriate.
11. As the search is being initiated, the board clarifies with the departing Executive how the transition will be handled if the new Executive were to begin their assignment prior to the departing Executive’s identified termination date.
12. Within 8 weeks of the resignation, the board and Executive mutually develop goals for the Executive to accomplish during the remainder of his/her tenure.
13. While the board conducts a broad search for a new Executive, internal candidates will be invited to apply.
14. If a board member wishes to apply for any staff position (including the Executive position) she/he must first resign from the board.
15. It is assumed that the departing Executive will be involved in the search process only as invited to do so by the board.

16. A relationship has been established with a search firm which is available to provide interim Executive leadership and to conduct long term Executive searches.
17. A board transition team will be appointed to:
  - In consultation with the departing Executive, determine how to acknowledge the Executive's contribution to the organization, including overseeing the planning for any public or private events.
  - Recommend to the board a transition plan/timetable and support resources for the new executive including:
    - The availability of at least one year of executive coaching
    - The use of a six month performance assessment to provide early affirmation and feedback about his/her performance.
18. This plan will be reviewed annually by the Executive Committee which will recommend amendments as needed. Board review of these assumptions just before and after a leadership transition is recommended. The CEO Succession Plan is readily available to board members.

As you identify your assumptions about the leadership transition process, it may be helpful to consider whether any changes are needed in the bylaws or Executive employment agreement.

#### **Feedback or Questions?**

Feedback about this resource or questions about Executive Leadership Transitions may be addressed to [info@mhsonline.org](mailto:info@mhsonline.org).

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