Succession Planning Toolkit
For Nonprofit Boards

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mhsonline.org
## Succession Planning Toolkit
For Nonprofit Boards

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The Board’s Role

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 chief executive succession plan in place. This plan outlines the process for providing leadership for the organization during anticipated or unanticipated short term absences of the chief executive.

Organizations should also have a written plan that outlines steps to be taken in the event of a permanent executive transition. The plan should address the search process and key questions for the board’s consideration.

In addition to the board’s work in preparing for leadership succession, executives also play a role in a smooth transition. A healthy partnership between executive and board provides space for conversation and planning together.

This Succession Planning Toolkit will guide boards and executives in preparing the organization for executive transition, whether planned or unplanned, short term or permanent.

For more consultation and support on succession planning, executive transition and executive search, contact MHS at info@mhsonline.org.
Equipping the Organization

Some boards are cautious about preparing for an eventual transition because they are afraid it might suggest to the current chief 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 chief executives will welcome this work.

Chief executives and board chairs are encouraged to periodically discuss the subject of the chief executive’s thoughts about length of tenure. For more on this topic see Attachment 1 Chief Executives: Finishing Well. Building trust through open communication is critical.

Whether a leadership transition takes place a year from now or ten years in the future, careful planning can reduce anxiety and bring attention to the critical decisions that need to be made. The board, the chief executive and the organization as a whole 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 strategic plan for the future is in place and is being implemented, the board is committed to improving its functioning and the
board and chief executive are working as a team. Operational performance is steady. Trust is high. Not only is this good for the organization and the people it serves, but it also makes the organization more attractive to future chief executive candidates.

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

- An effective annual performance review (see Attachment 4)
- An annual board self-assessment process with an ongoing board development plan (see Attachment 5)
- An effective organizational planning process
- A strong board/chief executive partnership

Cultivating Future Leaders

Developing internal leaders should be an ongoing priority for the chief executive. While it is not the chief executive’s prerogative to select the next leader, she or he should be developing internal leaders so that one or more of them would have the potential to be considered when a leadership transition does occur.
It is a best practice that organizations develop leadership career ladders, particularly at the manager and director levels. With professional development plans and specific leadership goals, key employees can be encouraged to develop in their careers and also strengthen the leadership capacity of the whole organization.

As the chief executive takes steps to develop internal leaders, the board should communicate its support of developing internal leaders. Asking the chief executive to annually review the plan for developing internal leaders with the board and to periodically update the Executive Committee regarding the capacity of potential candidates, helps to ensure leadership preparedness as a priority.

One of the key benefits of planning for chief executive succession is that the board can increase the likelihood that qualified candidates will be available when a leadership transition does occur.

When feasible, organizations are encouraged to attempt to prepare several people to be considered for the chief executive position. 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. Of course, a qualified internal candidate who is not selected may be recruited by another organization. This is simply a risk that comes with having a strong leadership team and a healthy organizational culture that invests in employee development.
Emergency Succession Procedures

The board’s responsibility to provide for competent leadership includes short term or interim leadership needs. A short term executive leadership plan should address the following situations:

• Temporary brief absences of the chief executive.
• Temporary extended absences of the chief executive.
• Interim leadership during executive search and transition.

Following are procedures for short term leadership procedures and a sample Emergency Leadership Annual Memo and Board Policy. Boards are encouraged to adapt and customize these tools.

Procedure: Temporary Absence of the Chief Executive, 30 days or less

In a situation where the chief executive is absent temporarily and is determined to be unable to carry out their responsibilities, the following procedures will be followed:

1. If the chief executive’s absence is unplanned, the board chair convenes the executive committee of the board as soon as possible to review and confirm the Emergency Leadership Plan.
2. As soon as possible, not more than five business days after the absence begins, the board chair activates the Emergency
Leadership Plan, in which a previously identified individual is appointed to carry out the chief executive responsibilities.

- The plan may identify others in case the first person is not available
- Several persons may be named to share responsibility for chief executive functions. In this situation, the responsibilities of each individual are specified in writing in the Emergency Leadership Plan

3. The board chair ensures that the emergency leadership arrangements are communicated to the board, staff and key stakeholders, including licensing agencies.

4. The board chair maintains at least weekly contact with the person(s) assigned to provide short term leadership.

5. The emergency leadership appointment remains in place until the chief executive is able to resume their responsibilities, an interim executive is appointed or until a longer-term leadership arrangement is made by the board.

6. The board maintains the prerogative to appoint or discontinue interim leadership at any time.

**Procedure: Extended Temporary Absence of the Chief Executive, longer than 30 days**

If the short-term interim arrangements as outlined above have not already been implemented, they should be carried out as soon as possible.

1. Within five days of determining that the chief executive’s absence is anticipated to be longer than 30 days, the executive committee of the board meets to consider:

   - Whether an interim executive is needed
   - The need for consulting assistance to search for an interim executive
   - Communication needed with key stakeholders, i.e. staff, lenders, key contributors, etc. regarding the extended absence and interim leadership arrangements in place

2. Throughout the remaining absence of the chief executive, the executive committee monitors the need for consulting assistance for the board, for the staff member(s) carrying the executive leadership responsibilities, or to secure interim leadership.
• If it is determined that assistance is needed, the executive committee recommends to the board that a search firm be engaged to secure an interim to provide leadership until the chief executive is able to return to their responsibilities or until a permanent chief executive is selected and available to serve.

• The executive committee designates an individual to serve as the primary contact with the search firm.

• The executive committee reviews potential interim candidates and recommends a preferred candidate to the board for appointment.

• If other consulting assistance is deemed to be needed, the committee recommends an appropriate consultant(s) to the board for engagement.

3. In consultation with the designated interim leadership, the executive committee assesses whether any priority issues must be addressed and if needed, develops and monitors a plan for addressing the issues.

4. The board chair continues in at least weekly communication with the appointed interim leaders regarding the status of the organization and to offer support.

5. The board maintains the prerogative to appoint or discontinue interim leadership appointments at any time.

Procedure: Permanent Absence of the Chief Executive

When the chief executive is not able to return to the position, such as serious illness, death or termination of employment, the procedures outlined above are followed. In addition, the following steps are implemented.

1. Within three weeks of a known permanent vacancy in the chief executive position, the board determines whether to retain a search firm and appoints a Search Committee.

2. The Search Committee consists of four or five board members and represents diversity in experience, age, and perspective.

3. The Search Committee is charged with:
   • Identifying leadership qualities that are needed.
   • Developing compensation and benefit guidelines for prospective candidates.
   • Reviewing the profile of desired candidate qualities with the board.
• Keeping the board and staff informed at appropriate junctures.
• Bringing a recommended candidate or two finalists to the board for consideration.
• Maintaining confidentiality.
• Recommending to the board a transition plan/timetable and support tools for the new executive.

For more about executive search and transition, see When the Executive Resigns.
MEMO

Date: [Date]
To: [Organization] Board of Directors
Cc: [Person named as emergency interim executive]
From: [Chief Executive Name], [Title]
RE: Annual Designation – Emergency Leadership Plan

MESSAGE:
In accordance with Board Policy 3.7 (see below), I hereby name _____[Name, Title]______ to provide interim executive leadership for [Organization] for the period __[start and end dates]__ in the event that I am not able to fulfill my responsibilities.

__________________________________ _______________________________
[Chief Executive Name] Date
[Title]

(excerpt from Board Policy Manual)

3.7. **Emergency succession plan**

3.7.1. The Chief Executive will ensure that at least one senior staff member is at all times adequately informed of and oriented to the total work of the organization and is capable of and willing to provide interim executive leadership in the event that the Chief Executive is not able to fulfill his/her responsibilities. It is understood that this appointment would be short-term, likely not more than three months, during which time the board would have opportunity to determine next steps.

3.7.1. The Chief Executive will recommend to the board, on an annual basis and at the fall meeting of the board, the name of one individual that he/she believes is best positioned to provide this leadership.
Transition Plan Assumptions

Identifying assumptions ahead of time about what needs to happen and who’s responsible provides a starting place for dealing with a leadership transition when it does occur. It is easier to update or modify a few of the assumptions than to develop them all at once when you’re faced with making decisions.

The statements below are intended to be a start. Each board should discuss and customize the statements to fit their organization. Once completed, the document should be stored in a location accessible to the board leadership.

Transition Plan Assumptions for [Organization Name]

1. The board of directors is responsible to select and appoint the chief executive.
2. Annually, the board and chief executive will ensure that the strategic plan and position description are current.
3. The chief executive is requested to inform the board as soon as possible of her/his intent to leave.
4. The chief 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 chief executive’s resignation.
6. Within three weeks of receiving the chief executive’s resignation, the board leadership/executive committee of the board recommends members for appointment to a Search Committee.
7. The executive committee is responsible to recommend whether to handle the task internally or to contract with a search firm.
8. With input from others as needed, the Search Committee is expected to:
   a. Assess the status of the organization in order to identify leadership qualities that are needed.
   b. Develop compensation and benefit guidelines for communication with candidates.
   c. Review the candidate profile of desired qualities with the board for its input.
   d. Keep the board and staff and other key stakeholders informed of its progress.
   e. Bring a recommended candidate or two finalists to the board for consideration.
9. Internal candidates will be invited to apply.
10. If a board member wishes to apply, they must first resign from the board.
11. Within eight weeks of the chief executive’s resignation, the board and chief executive will mutually develop goals for the remainder of his/her tenure.
12. The departing chief executive will be involved in the search process only as invited by the board.
13. The board will clarify with the departing chief executive how the transition will be handled if the new executive were to be available prior to the departing executive’s planned departure date.
14. A board transition team will be appointed to determine how to acknowledge the departing chief executive’s contribution, including the planning for any public or private events.
15. The Search Committee or other board leadership team will recommend a transition plan and support resources for the new executive such as at least one year of executive coaching and use of a six month performance assessment to provide early affirmation and feedback.
16. The bylaws and executive employee agreement are aligned with the Succession Plan assumptions.
17. These assumptions are reviewed annually by board leadership/Executive Committee which will recommend changes as needed. The Succession Plan is maintained where it is readily available to board members.

“Within eight weeks of the chief executive’s resignation, the board and chief executive will mutually develop goals for the remainder of his/her tenure.”
When the Executive Resigns

An executive leadership transition is one of the most significant situations that a board will face. Not only is the selection of the next leader of utmost importance, the management of this process will communicate much about the board and the organization. Also, this is one of the few times when the board, not staff, takes the lead in carrying out an assignment.

In addition to selecting the next leader for the organization, by proactively managing this transition, the board has the opportunity to:

- Strengthen relationships with stakeholders.
- Portray the organization and its mission in the best possible light.
- Maintain or increase confidence in the board’s leadership capacity.

Boards can prepare for an eventual leadership transition by making some decisions in advance. If your board has completed Transition Plan Assumptions, some of the decisions outlined below will already have been made.

Announcement

The leadership transition process officially begins with the board’s receipt of the resignation of the chief executive. This may come about through a discussion with the board or board chair which results in either a decision to resign or an agreement about the timing of the chief executive’s transition. Or it may be a decision the executive makes independently.

When a date is determined, it is essential that the chief executive provide a written letter of resignation with the date that employment will end. The full board should be informed of the resignation and of the need to keep it confidential until an announcement is made.

Communication Plan

A communication plan should be developed, including the following elements:

- Stakeholder groups to be notified
- Talking points and means of communication
- Timing of the communication to each group
Board leadership should determine and manage the communication plan in consultation with the chief executive. Depending on the circumstances of the resignation, some boards secure outside consultation assistance to develop the communication plan.

It typically takes two to three weeks to develop a communication plan and prepare for its implementation. Board members should be informed of the plan prior to its execution. The initial communication typically includes the following:

- The announcement of the chief executive’s resignation and effective date.
- Appreciation for the chief executive’s leadership and a summary of organizational accomplishments during the chief executive’s tenure.
- Announcement of the appointment of a search committee and the name of the chair of that committee or a statement that a search committee will be appointed by the board.
- If a decision has been made about whether the search will be conducted by the search committee or by a search firm, this can be a part of the announcement. The announcement can identify the contact person for inquiries, if applicable.

**Timing**

Usually the chief executive’s departure is announced within several weeks of receiving the resignation. It is difficult to keep the information confidential for an extended period of time.

**Sample Communication Schedule**

**Monday-Tuesday**
- The departing chief executive shares his/her plans with senior staff along with a request that they keep the information confidential until a general announcement is made to staff.
- Tuesday afternoon
  - An announcement is made to staff and then to community residents or clients, if applicable.
  - Using talking points, phone calls are made by board members and chief executive to key stakeholders who have been identified.
  - Letters are mailed to donors.
**Wednesday-Thursday**
- Public announcements including newspapers, website, etc.
There are several decisions to be made as the board prepares to implement a search process.

**Interim Leadership**

One of the early decisions is whether an interim executive is needed. Factors that might lead a board to consider appointing an interim:

- The executive’s departure timeline does not allow adequate time to conduct a search.
- The organization’s circumstances may benefit from a period of transitional leadership.
- As the search progresses, more time is needed to identify a preferred candidate.

If appointment of an interim chief executive is considered, the board should determine whether to name the individual identified in the Succession Plan. The board should clarify up front whether this person will be considered as a candidate if they would want to apply.

**Appointment of a Search Committee**

The appointment of a Search Committee may be described in the bylaws, Succession Plan or the board policy manual. Typically, the Board Chair or Executive Committee recommends the Search
Committee for the board’s approval. Search committees often consist of four or five members and may include the board chair.

The announcement of leadership transition often generates anxiety in an organization. The announcement of how the search will be handled is one way to reassure stakeholders that the board is capably managing the transition. It is helpful to appoint the Search Committee as soon as possible after receiving the chief executive’s letter of resignation, within about a month.

Early in the process, the board should discuss expectations of the Search Committee related to:

- Frequency and content of updates
- Whether the board wishes to be informed of the names of the finalists
- Whether the Search Committee is expected to bring one recommended candidate to the board or involve the board in identifying a finalist from two or three candidates.

Retaining a Search Firm

Volunteer board members may not have the time and/or expertise to conduct a search. Often, the best candidates are not actively looking for another position. The board should consider whether search committee members have the time and networking contacts to reach potential candidates and promote the organization’s leadership opportunity, as well as carry out the search activities. See Attachment 2 Should We Hire a Search Firm?

“The announcement of leadership transition often generates anxiety in an organization. The announcement of how the search will be handled is one way to reassure stakeholders that the board is capably managing the transition.”
Endings and Beginnings

The Departing Chief Executive

While the search process is carried out, there are several questions related to the departing chief executive that the board should consider:

- Does the board wish to identify key tasks, priorities or deliverables for the chief executive to accomplish before departing?
- How will the board acknowledge and celebrate the departing chief executive’s contributions?
- What role, if any, should the departing chief executive play in the search process? In general, the departing chief should be involved only as invited by and as defined by the board or search committee.
- How will the transition be handled if the new executive starts prior to the departing executive’s planned departure date?

The Incoming Chief Executive

The board should be intentional about how it welcomes and supports the new chief executive:

- How will the new chief executive be welcomed to the community/organization?
- What is the orientation plan?
- How will the new chief executive be supported during the first year?
  o Will executive coaching be provided?
  o How will feedback be provided after six months and at the end of the first year to affirm strengths/accomplishments and set goals?
  o What other means of support will the board provide?
Addendum 1
Chief Executives: Finishing Well

Every chief executive, if given the choice, would prefer to leave their position on their own terms and at a time of their own choosing. In addition, chief executives would say that they want to serve only as long as it is in the best interests of the organization.

Determining when to leave their position can be an issue for executives at any stage of their careers. The following perspectives are especially relevant for executives who plan to end their chief executive career when they leave their current position.

**Proactive Planning**

Executives can take steps to increase the likelihood that they will be able to consider what is best for the organization as well as for themselves.

1. Develop a financial plan and standard of living that can be sustained without an executive salary. This makes it less likely that financial needs will be a primary factor in determining how long to stay in a position.
2. Envision life after leaving the chief executive position. Explore interests, develop hobbies and try volunteer assignments. Ask people who have transitioned to the next phase how they spend their time and find meaning. Build relationships with friends and family members that will be there in the future. Take steps now to test and prepare for this future.
3. Think about legacy. How do you want to be remembered? Pay attention to the really important things now. Read A Leader’s Legacy by Kouzes and Posner.

Planning proactively sets the stage for an objective decision about when to leave an executive position. Even if transition is five or ten years away, the following conversations may be helpful to think about and plan for it.

1. Talk in confidence with trusted friends or colleagues. Participation in an Executive Circle, executive coaching, spiritual direction, and/or a retreat for executives provides space to explore and focus questions about transition.
2. Discuss job changes and potential timing with your family. These decisions are likely to have a
significant impact on your family, possibly affecting where you live and your lifestyle.

3. Discuss with your board chair a plan to develop leadership capacity among your senior leaders. Invite conversation about executive leadership succession planning. The section of this document Equipping the Organization suggests ways to increase the likelihood that internal candidates will be among those available to be considered when an executive search takes place. You will serve the board and yourself well by talking with the board chair about how to prepare for the organization’s future leadership needs.

4. Consider talking with your board chair about your potential timeline for transitioning to the next phase of your life. Ask for feedback about whether your potential timeline seems appropriate or whether there are concerns or changing needs of the organization that might affect your timeline. Conversations every year or two about this timeline can keep the lines of communication open and will set the stage for healthy conversations and decisions in the future.

Factors Limiting Objectivity

In the absence of adequate preparation and objective feedback, the chief executive’s perspective of what is in the best interest of the organization can easily be influenced by other factors. Some of the underlying factors that can limit one’s ability to be objective about how long to stay include:

- I like this role and it’s hard to imagine not being a chief executive
- The standard of living that I am used to is quite comfortable. Staying longer will give me a better retirement. Anything else that I would do will not pay as well.
- I don’t know what else I would do.
- I don’t want to leave. Maybe there is some way to phase out over a year or two, or stay on as a consultant.
- I’d like to hit an age or years of service milestone.
- Can someone else really do as good a job? I’m not sure if the organization can thrive (survive) without me.
- I would like to identify my successor but have not had time to develop someone.
Additional Considerations in Setting a Transition Timeline

There certainly are legitimate reasons for extending your chief executive role. However, even the most self-aware individuals may not be able to determine the best time to leave the organization without feedback from the board.

- A conversation with the Board Chair may provide helpful information about the board’s sense of timing that may be good for the organization, considering the organization’s life cycle and strategic direction.
- Occasionally a board’s encouragement to stay may not be in the best interest of the organization. A board might encourage their chief executive to continue because members don’t want to deal with the hassles of a leadership transition. If an executive believes that it is time to make a change, it is better not to succumb to encouragement by the board to stay.
- Many executives find it satisfying to complete major capital campaigns, building projects or other major initiatives. While this may be positive for the organization, there is also merit in leaving while major initiatives are underway. With good planning, the initiatives can continue to be implemented while the new executive leads the development of new plans. Positive momentum can be sustained.

Conclusion

Executives have many challenges and opportunities that demand their time and attention. It can be difficult to find the time and energy to think about the next phase of life, let alone plan proactively for it. However, finishing well is much more likely if some time is committed to proactively planning for this eventual transition.

Planning for the next phase of life does not mean being any less committed to the organization. In fact, finishing well is in important way to serve the organization.

Whether that next phase of the journey leads to another executive position or on to other involvements, careful thought, planning and feedback can increase the likelihood of being able to choose when to leave a chief executive position and that the timing will be good for the organization and for the executive leader.
Addendum 2

Should We Hire a Search Firm?

1. Do we need counsel on how to structure an interim leadership plan with either internal or external leadership?
2. Do we need an external opinion of how our strategic plan shapes the leadership profile for selecting a new executive?
3. Do we have the resources to conduct a broad search, recognizing that most qualified candidates are discovered through networking and not advertising?
4. Do we have the time and skills to sell candidates on our organization, recognizing that strong leaders are performing well, compensated well and may need to be sold on considering a new opportunity?
5. Can we sufficiently screen candidates for competency, character and values to ensure that we are interviewing the best possible individuals?
6. Can we design a rigorous interview process that includes feedback from various stakeholders groups?
7. Can we integrate internal candidates into the interview process such that we receive an unbiased perspective on the strength of their candidacy?
8. Can we successfully negotiate a compensation/benefits package that is amenable to both the board and candidate?
9. Do we need counsel on how to structure a year one-leadership transition plan to ensure that our new executive begins building a productive relationship with all key stakeholders?
10. Is the cost of a professional search fee a reasonable investment in recruiting and retaining effective leadership?
Addendum 3
Search Process Checklist

Step 1. Determine whether an interim is needed.
Step 2. Decide whether to handle search internally or hire a search firm.
Step 3. Appoint search committee - usually 4-5 board members.
   • Clarify roles in search process
   • Establish scope of search
   • Outline stakeholder communication plan
Step 4. Search committee preparation
   • Determine how decisions will be made – majority vote or consensus
   • Determine role of management team in interview process
   • Determine timing and scope of reporting to full board
   • Develop questions for written response by first-cut list of candidates
   • Facilitate identification or affirmation of strategic direction, desired leadership profile and screening criteria
   • Gather organizational materials for distribution to candidates
Step 5. Search Committee work
   • Periodically report to board and staff
   • Solicit, screen and short-list candidates
   • Review written responses and conduct tele- phone interviews with selected candidates
   • Prepare detailed packet of information about the organization for finalist candidates
   • Schedule face-to-face interviews
   • Review interview notes and check references of finalists
   • Select preferred candidate
Step 6. Search committee recommendation to Board
Step 7. Final negotiation with candidate
Step 8. Issue announcement to stakeholders
Step 9. Develop plan for introducing new executive
Shared Values - Proven Approach

We share common values and belief in a demonstrated approach to health and human services governance and leadership.

Mission

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

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.