A faded, light-colored background image showing a close-up of two hands shaking in a firm grip, symbolizing agreement or partnership. The image is slightly out of focus, emphasizing the gesture.

The Step-by-Step Guide To Successful Non-Profit Succession Planning

Presented by Barnes Wendling CPAs Non-Profit Group

Is Succession Planning Necessary?

Succession planning is the often complex, yet vital process of replacing outgoing leadership. Ideally, it's also a contingency framework that utilizes an appropriate balance of internal and external talent to fill a leadership void.

This leads us to the million-dollar question: why identify and develop internal talent at all? First, insiders work at a definite advantage. They are cognizant of nuances in organizational culture and possess critical knowledge of internal policies. Second, an engaged pool of leader successors can facilitate smoother executive transitions. According to [Gallup](#), highly engaged workers outperform their peers by 147% in earnings per share.



Traditionally, however, the non-profit sector has reported low engagement scores. According to the [Concord Leadership report](#) on non-profit succession planning:

55.8%

Only 55.8% of respondents agreed that staff were actively engaged in all phases of the succession planning process.

24.6%

More ominously, only 24.6% of respondents could attest to their organization rewarding or recognizing staff for their contributions.

According to a [key survey](#), 70% of non-profit employees desire more professional development training. They recognize its value in terms of its career advancement potential. However, more than 40% of employees say that their career development needs are not being prioritized. Such a scenario has translated into high turnover rates for the non-profit sector. **In a recent annual survey conducted by NonprofitHR, 65% of organizations do not have a formal talent management strategy in place.** The complexities of an executive transition are exponentially multiplied by such a lack.

In that light, meticulous succession planning is not only a necessity, it's the crucial foundation of a successful transition process.



The Busy Executive's Succession Planning Toolkit

The Three Planks of Effective Succession Planning

Preparation is key to success. But, what is the best way to begin? First, we must recognize the dual aspects of any leadership infrastructural change: short-term and long-term. Next, our organizations must plan for both.

A) Emergency Succession Planning

Key goal: To address an immediate or sudden executive departure.

An unplanned executive vacancy often poses a threat to an organization's resilience. However, an emergency succession plan can help allay the immediate concerns of stakeholders and employees, thus keeping internal disruptions to a minimum. All things being equal, an unplanned executive departure should precipitate the immediate appointment of an interim or acting executive director (ED).

Either the deputy executive director or the chief financial officer may serve as the interim executive director. Filling the leadership void has immediate benefits. First, it allows your organization to maintain important relationships with donors, local community leaders, and foundation program stakeholders during an especially vulnerable period.

Second, it preserves your organization's operational integrity as you search for a more permanent executive replacement. An interim director usually serves for 6-12 months, giving you time to conduct a comprehensive search for the right person.

So, how can an interim director benefit your organization? Ideally, this individual should be a vetted business executive who can provide crucial leadership during the transition period. Many organizations hire on-demand professionals to manage day-to-day operations and to assist in the search for a permanent executive director.

The Six Steps To Implementing An Effective Emergency Succession Plan

- 1 | Convene an executive planning team that includes current board members
- 2 | Define the acting director's core responsibilities. Lay out your expectations for how the interim leader should maintain established relationships with important stakeholders. Decide the parameters of any discretionary decision-making privileges, and define a clear, shared vision for him/her to adopt.
- 3 | Next, determine the core leadership traits and crucial attributes an interim leader must have. This is the time to debate the merits of initiative, creativity, and tenacity in prospective candidates. Remember to include important discussions about academic and practical qualifications, and address natural succession claims. Ideally, an interim director should not segue into the permanent role of executive director.
- 4 | Decide how to make vital information available to the acting executive director. How will the interim director access donor information, vendor records, volunteer directories, electronic banking authentication passwords, legal contract details, payroll information, and insurance coverage data?
- 5 | Determine the assimilation period for an interim director, and decide which board members will help navigate the process.
- 6 | Last, but not least, decide whether the interim director will be involved in choosing a permanent replacement to the chair. Most importantly, determine whether you will choose from an internal or external pool of candidates for the executive director position.

As an added benefit, the above steps can be modified to create succession plans for all key positions in your organization.





B) Leader Development Initiatives

Key goal: To identify and develop internal leaders or potential successors for your organization.

One way to fill critical staff positions is to hire from within. To begin, recruit talented employees for strategic development teams. These teams will determine the required core skills for each position. Ideally, actionable solutions should be implemented to help employees fill any identified gaps in individual skill sets. Specifically, teams should design professional development plans for employees who show great leadership potential.

A key means of reducing high turnover rates is to address the intrinsic human need for engagement and recognition. By engaging your staff during crucial periods of the transition process, you show that you recognize their contributions to your organization's success. In that light, effective succession planning can be a force multiplier for retaining internal talent and producing leader successors for your organization.



The Five Key Steps In Identifying Potential Successors For Your Organization

- 1** | Determine what leadership competencies are most desirable. Some important ones include the ability to think strategically, the will to adapt to challenging paradigms, and the inclination to lead courageously.
- 2** | Identify the inherent capabilities needed to fill present and future mission-critical roles in your organization.
- 3** | Conduct high-level talent reviews to identify potential leaders who can fill these key positions.
- 4** | Once potential leader candidates have been identified, formulate personalized development plans for this targeted successor population. Such a leadership development initiative may include a combination of corporate training programs and executive coaching sessions.
- 5** | Implement your leadership development initiative, using empirical measurements to gauge the retention of new knowledge. Measurement types may include knowledge tests, skill demonstrations, and/or post-experience questionnaires.

C) Targeted or Departure-defined Succession Planning

Key goal: To address a future planned executive departure or retirement.

Planning for an expected executive departure is perhaps one of the most emotionally-charged experiences in the world of transitions. The experience increases in poignancy if the departing executive is a founding member of your organization. At such times, the specter of founder's syndrome may threaten to derail what should be a pragmatic decision-making process.

Of course, not all long-tenured executives wrestle with the demons of founder's syndrome. However, the following considerations can help you assess your challenges as you guide your organization through the complexities of executive transition.

The Six key considerations of departure-defined succession planning.

- 1 | Has the departing CEO addressed any personal and professional barriers that could prevent a seamless transition?
- 2 | Have you formed an executive committee to identify the desired skills and traits you expect in the new CEO?
- 3 | Has the departing CEO shown a willingness to accept strictures on his/her role during the transition process?
- 4 | Has your organization decided whether board members or an independent expert will identify potential successors for the top executive position?
- 5 | Have you communicated essential information about the CEO's departure and future plans for your organization's success to key stakeholders?
- 6 | Have you implemented a sustainability audit to identify the key strengths and weaknesses of your strategic plan?





Addressing Key Issues Before Implementing Succession Planning

Goal: Bringing it all together and getting ready for succession planning

Sample Non-profit Succession Planning Checklist

How will you know if your organization is ready to implement a succession planning process? Here are some questions to ask:

- 1 | Do the outgoing CEO and executive board members support the idea of succession planning?
- 2 | Is there a mechanism to evaluate the executive director's ability to deliver on key objectives? For many organizations, the annual performance review is standard practice. Look for annual reviews to answer two key questions. First, is your current executive director the right person to lead your organization through the next stages of growth? Second, can a fixed-term contract precipitate a more pointed conversation about succession planning?
- 3 | Are the board of directors adequately performing important duties pertaining to fiduciary oversight, executive support, personnel grievance issues, and fundraising initiatives? The answer to this question will provide a revealing picture of your organization's readiness for succession planning.
- 4 | Is there a financial strategy in place? Many non-profits have embraced the idea of succession planning but lack a cohesive, financial strategy to support success. A key challenge is that budget shortfalls make it difficult to support staff or internal leadership development initiatives. Ideally, a financial reserve of about 3-6 months of operating capital should be in place before commencing the implementation of a succession plan.

- 5 | Can your organization juggle both succession planning and day-to-day operations without sacrificing the tenets of its fundamental mission?
- 6 | Does your organization's financial framework meet audit and regulatory requirements so that the interim director can hit the ground running on Day 1?
- 7 | Have key leadership staff documented their responsibilities so that others can perform mission-critical tasks during an institutional restructuring?
- 8 | Are operational manuals for key administrative systems accessible to board members and the interim director?
- 9 | Have the board of directors identified key members who will help orient the interim or new director during the assimilation phase of the transition?
- 10 | Is there a plan or structured process to communicate recent changes to important stakeholders?



Succession Planning Roadmap/ Template

For Three Key Types of Absences

When an Executive Announces a Temporary, Unplanned Absence

Temporary vacancies usually last less than three months or 90 days. An unplanned absence may be precipitated by circumstances beyond the Executive Director's (ED) control, such as health emergencies, natural catastrophes, or a family bereavement.

The following represents a typical succession plan in the event of an ED's temporary, unplanned absence.

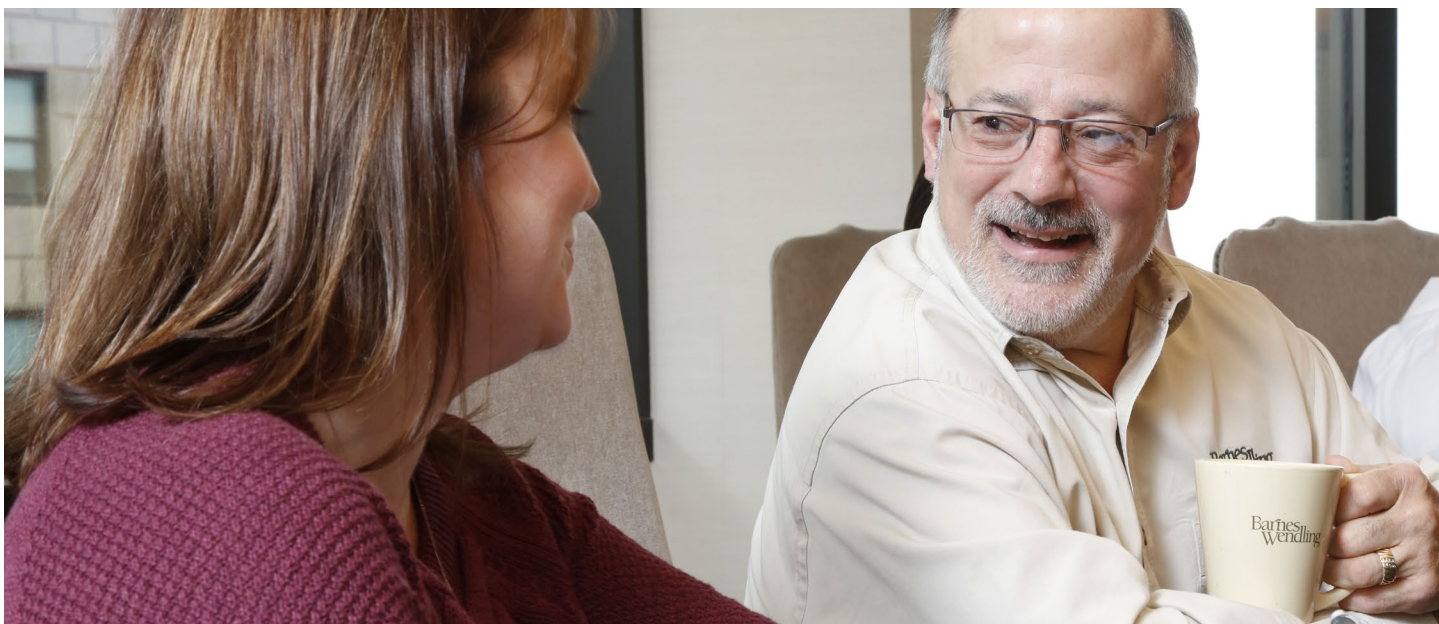
- First, the executive director will inform the chairman of the board or the highest-ranking board member of his/her intention to take a leave of absence.
- The chair will immediately assemble a board meeting to determine the framework for addressing the leadership void.
- The board will select an acting executive director from an internal list of candidates. Should the standing appointee be unable to serve, back-up appointees will be considered. To ease the transition, the board may decide to appoint an adviser to assist the acting executive in his/her duties. Alternatively, the board may decide to hire an independent interim director to lead the organization during the ED's temporary absence.
- The board will enumerate the acting ED's core responsibilities and powers within the organization.
- The board may decide to offer the acting executive director a temporary salary increase or a designated bonus in accordance with his/her increased responsibilities. If the board chooses to hire an independent interim director, it will pay said individual a fair rate of compensation.
- The chairman of the board (with input from staff) will assess the acting executive director's performance on a periodic basis.
- Once the acting executive director is installed in the position, the chair will send a press release to staff, the media, and key stakeholders about temporary changes in the leadership infrastructure.
- The absent executive director will collaborate with the board to establish a return date. It is likely that the board will make reasonable accommodations to ease the director's return to established routine.

When an Executive Announces a Prolonged, Unplanned Absence

Such an executive vacancy usually lasts from 3-12 months. It may be precipitated by such factors as hospitalization for an injury or illness, a domestic emergency, or a catastrophic event. In light of such a vacancy:

- The board of directors will work in tandem with the transition committee to fill the vacancy. Internal candidates will receive first consideration for this temporary position.
- Alternatively, the committee may decide to appoint an on-demand professional as the acting executive director. In such a scenario, the board may extend the original contract when circumstances justify its necessity.
- The absent executive director will collaborate with the acting director and board members to establish his/her return date. It is likely that the board will make reasonable accommodations to ease the director's return to established routine.





When an Executive Announces a Permanent Departure

A permanent executive departure may be precipitated by a variety of factors, including a change in personal focus, illness, or plans for retirement. This type of departure usually generates a search for a new ED. Here's how the transfer of power could occur:

- The Board of Directors appoints a succession planning committee within 5-7 days of the current ED vacating the position.
- The newly-formed committee will discuss the logistics of hiring an interim executive director. The interim executive will likely be held to a strict contractual agreement. On a simultaneous basis, the transition committee will also consider the feasibility of selecting a permanent replacement from an internal pool of candidates. Alternatively, the committee may decide to bring in consultants to help with the transition process.
- The executive committee will keep the board of directors informed about ensuing efforts to hire the interim ED.
- Once selected, the final three candidates will make presentations before the transition committee.
- The committee convenes to investigate the merits of the final three candidates and to select the winning candidate.
- Once the committee has made its selection, the entire board of directors will vote on the decision.
- The departing CEO may provide reasonable input to the committee throughout the transition process. For its part, the board may decide to enlist the interim director's help in selecting a permanent replacement for the chair.



What Barnes Wendling Can Do For You

Organizations often struggle to mitigate crisis-level challenges in the face of an unexpected vacancy. At Barnes Wendling, we prioritize your organization's success. Our vetted professionals consider it a privilege to offer succession planning consultation and support for non-profit organizations. You can trust our experts to guide you through the complexities of executive transition, as you turn your attention to what you do best: running a successful non-profit organization that serves the public welfare.

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