



201
KEY
ISSUES

CHIEF EXECUTIVE SUCCESSION PLANNING

One of the fundamental duties of the board is to ensure that the organization is well run. The board is responsible for finding and keeping the person most suitable to manage the organization. This task is not an isolated task. It is an essential part of succession planning — a proactive process to keep the management constantly aligned with the strategic framework of the organization. This is a process that the board should regularly discuss and update. Only then it is possible to create a positive succession culture that allows the board to react wisely and in a timely manner when it needs to support the present chief executive or to choose the next leader.

What are the elements of succession planning?

Succession planning is a process for ensuring that the most qualified person is always running the organization. Its aim is not necessarily to groom a successor or determine ahead of time who the next chief executive should be. A good plan proposes guidelines and options for action when that action is necessary. The steps of the plan are activated when it is clear the present chief executive leaves suddenly or when the leave is planned.

To stay on top of things, the board should continually and faithfully evaluate its own performance, the performance of the present chief executive, and the success of the organization in fulfilling its mission. The results of these three assessments are the underpinning of successful succession planning. They provide the reasoning and direction of the plan. They help foster a healthy atmosphere in the organization and among the board members.

Specifically, a succession plan includes the following elements:

- An up-to-date job description for the chief executive
- Clear annual performance expectations for the chief executive
- Measurable indicators for the performance of the entire organization
- Determination at regular intervals whether the organization is going in the right direction and what the key qualities of the chief executive should be
- Assumption that the chief executive must be capable of taking the organization to its expected level of performance
- A process for hiring a new chief executive

- Options for managing the executive transition period
- Emergency measures for unexpected loss of the chief executive
- Keeping the board undivided and focused on the future

What are the benefits of succession planning?

Every chief executive leaves the organization sooner or later. This happens because of death, health reasons, reassessment of personal priorities, retirement, or the board decides that it is time for the chief executive to go. By having a process in place to guide its actions, the board can avoid knee-jerk solutions or making quick-fix decisions. Being prepared allows the board to save time as it does not have to start by planning the plan. It can immediately focus on pre-evaluated options. It is costly to make wrong decisions when hiring a new chief executive. By having a clear action plan, the board is able to eliminate unnecessary steps that do not fit the present situation. By maintaining succession planning as a part of its regular strategic approach, the board can reduce the human drama of a leadership transition. It is possible to approach future with structure and direction.

Who should be involved in the process?

The board is ultimately responsible for succession planning, keeping the plan up-to-date, and executing the plan. Naturally, it never is wise to proceed in isolation. Feedback from those affected by the final decision (staff, donors, other constituents) allows the board to stay on track and choose the right options as the plan is implemented. An exit interview with the leaving chief executive can provide invaluable information. Relying on an outside consultant when assessing organizational performance can bring an unbiased view.

What are the main obstacles for successful planning?

Probably the main stumbling block for a workable plan is to misunderstand its scope. Succession planning is not limited to hiring a new chief executive or even planning for the executive transition. These are important components of the plan and therefore must be properly addressed. But to focus only on one segment of the process is ignoring the preparation that makes these steps successful. Succession planning is a continuous and cyclical process that only starts with the hiring of a new chief executive and the development of an evaluation process with that new leader.

Another obstacle is equating succession planning with internal grooming. In the for-profit sector it is common to train an insider for the leadership position. In the nonprofit world, where the bottom line is not the only criteria for success, it is impossible to determine the wanted qualities and characteristics of the next leader until a new person must be chosen. Neither do many nonprofits have the staff and resources to groom internal candidates. However, this reality is not a reason not to determine what skills the next chief executive should possess, how that leader will be found, and what kind of environment the board will create for the chief executive.

References

Chief Executive Succession Planning: Essential Guidance for Boards and CEOs

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