

## CREATING A SUCCESSION PLAN FOR YOUR NONPROFIT A Planner's Guide to Evolving a Continuity of Leadership

*A Resource Provided by Third Sector Company*

The research is clear that most nonprofit leaders plan to vacate their current positions within the next five years. Since less than 30% of nonprofits have a written executive succession plan, as reported by BoardSource, it's clear that most organizations are facing situations that could be extremely disruptive, if not paralyzing, to their missions.

### **The Purpose of this Guide**

This document is meant to serve as a tool for helping nonprofit leaders think about the conversations and decisions necessary to construct a logical and useful succession plan for their organizations. Succession planning is not a "one size fits all" proposition. Every organization has unique circumstances that influence its succession plan.

*Creating a Succession Plan for Your Nonprofit: A Planner's Guide to Evolving a Continuity of Leadership* offers suggestions for developing content about how your organization values people, develops and advances talent, and coordinates processes that affect the status of people. A succession plan for a community-based nonprofit should never be limited just to the transition of a single individual or position in the organization. A succession plan makes a public statement about the value of everyone, whether paid or voluntary, who provides vital leadership to the cause. In that spirit, the steps described here go well beyond how to handle a transition in your chief executive position (although that is certainly included).

Your succession plan is closely linked to other planning processes underway in your organization. Whether through the strategic plan (outlining future aspirations and the resources needed to achieve them) or the financial plan (budgeting for professional development, executive retention, market-based compensation and executive search), a succession plan touches every element of how a nonprofit organization values, leverages and maximizes its human capital.

Succession planning is also intrinsically linked to your organization's position on cultivating diversity, inclusion, equity and access.

### **Five Elements That Impact Every Nonprofit's Leadership Continuity**

A comprehensive Succession Plan includes five components that should be discussed, considered and constructed one-by-one:

**ELEMENT ONE:** **A clear and deliberate definition of what "succession planning" means to your organization.** This fundamental opening chapter makes a series of declarations about how your nonprofit values people while stating a shared understanding within your organization of what succession planning is and how it's essential to advancing the mission.

- ELEMENT TWO:** **A set of step-by-step directives and resources for managing unexpected vacancies in key leadership positions.** This section should read like an “In Case of Emergency” manual to minimize disruption when a sudden and unexpected leadership transition occurs in clearly identified professional and voluntary positions.
- ELEMENT THREE:** **A published set of board-approved policies specific to leadership succession and transitions.** This portion of the plan sets out directives, approved by the board as policy, regarding such things as how to handle a vacancy in the chief executive position, periodic market reviews of the chief executive’s compensation, the composition and duties of a Transition and Search Committee, and board chair succession.
- ELEMENT FOUR:** **An accounting of current human resources practices that promote leadership continuity within the organization.** This element of the succession plan commits to key human resources practices that invite the strategic recruitment, retention, recognition and advancement of talent. Examples could include maintaining accurate job descriptions, conducting annual performance reviews, budgeting for training and providing other professional development experiences, and administering a clear and constructive conflict resolution process. For many organizations, an employee handbook and volunteer handbook comprise the major content of this essential element.
- ELEMENT FIVE:** **Specific strategies, as per the Strategic Plan, reiterating the organization’s commitment to develop the pipeline of talent needed to achieve its goals.** The final section makes a formal linkage between the organization’s overall strategy and the role that succession planning has in assuring the strategic plan can be adequately resourced through the effective use of financial and human capital.

### **Succession Planning is an Ongoing Organizational Process**

Each element of the succession plan is continuously changing and evolving with the organization. You are encouraged explore each of the elements above and then begin your succession planning process with the one most relevant to your organization’s current situation or interest. ***Your goal is to work through the entire list in whatever order you prefer.*** Once you have done so, you’ll be well on your way to facilitating a strong commitment to the valuing of people and establishing a sustainable culture of leadership continuity.

### **We’re Here to Help**

At Third Sector Company, our mission is “To unleash the potential of diverse people, organizations and communities to foster a continuity of leadership for the nonprofit sectors of the United States and Canada.” Since 2002, we have helped over 600 nonprofits think about leadership continuity and we’re available to help you. We appreciate your interest in our work and we thank you for your support of our unwavering commitment to develop, reward and advance the diverse human talent that mobilizes the nonprofit sector.

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***ELEMENT ONE:***  
**A Clear and Deliberate Definition of**  
**What “Succession Planning” Means to Your Organization**

Creating a shared understanding within your organization of what succession planning is and how it's essential to your mission is a key step in building your culture of leadership continuity. It's also critical that your organization declares: how it values people to advance the mission; its stewardship obligations to cultivate and advance talent; and its commitments to the practices of diversity, inclusion, access and equity.

To pursue this essential element, facilitate conversations with people in your nonprofit about what leadership continuity means to them, and to the sustainability of the organization. Not only are these discussions a way for people to get comfortable with the concept of succession planning, they can also generate ideas about “people-raising” strategies to help your organization develop its human capital more effectively.

**Key Ideas About This Plan Element**

- These conversations take time and are more effectively conducted in a retreat setting rather than as an agenda item in a standing meeting.
- Involve board members (and other key volunteers) as well as staff members in the process.
- Use the Leadership Continuity Self-Assessment Tool (included in the appendix) to frame the conversation, especially if succession planning has NOT been discussed in the past. The tool can create a context and basis for directed discussion.
- A skilled facilitator is especially helpful to serve as an independent outsider to an “insider conversation,” helping assure that everyone participates and the conversation goes deeper than surface level.
- Be aware that conversations about succession can and will bring up emotions for those involved.

**For Each Conversation that you Facilitate:**

- ✓ Which items on the Leadership Continuity Self-Assessment were identified by the group as most important for the organization to address?
- ✓ What issues or questions were raised that are worth further conversation?
- ✓ What specific ideas were suggested to help improve the organization's culture of leadership continuity?
- ✓ Does the group have a common understanding of succession planning as an ongoing process to develop human capital?
- ✓ How does the group define succession planning for your organization?

***ELEMENT TWO:***  
**A Set of Step-by-Step Directives and Resources for  
Managing Unexpected Vacancies in Key Leadership Positions**

Determining in advance how to respond to sudden vacancies assures everyone in the organization that essential information is up-to-date and that everyone involved “knows the drill” before an emergency arises.

This would be a good place to begin your succession planning work if there is deep concern about the disruption that an unexpected vacancy could cause, or if you’re in the process of creating a general disaster recovery plan for the organization.

**Key Ideas About This Plan Element**

- A contingency plan should be created for any position where a sudden vacancy would threaten the organization’s health or mission. Frequently cited positions include the chief executive and members of the senior management team, and board chair and members of the board who are regarded as officers of the corporation.
- The Nonprofit Information Inventory (included in the appendix) is vital and supports leadership continuity in a crisis by assuring that essential data is up-to-date and accessible.
- It is wise to consider vendor succession, and how you would respond if a vendor suddenly became unavailable, or suddenly increased its fees beyond the value it provides.
- Making advance provisions for the option of appointing a professional interim leader can help de-politicize decision-making in an organization that suddenly finds itself in flux and without a leader.

**Critical Steps and Key Questions**

- ✓ Complete the Nonprofit Information Inventory and update it each year during the annual budget process.
- ✓ Review all vendor relationships each year as part of the Nonprofit Information Inventory update.
- ✓ Which positions in your organization should have a contingency strategy in case of sudden vacancy?
- ✓ For each potential vacancy noted above, who would cover that role on a temporary basis until the vacancy is resolved? What is the process for securing the longer-term successor? (See the two memos from St. Anne’s CEO in the appendix.)
- ✓ Use the annual performance review process to update each position’s contingency plan as needed, and make sure those who have been appointed as potential stand-ins have that status reflected in their performance plans for the year ahead.
- ✓ As part of the annual performance review process, make sure each job description is up to date regarding the position’s responsibilities and duties.
- ✓ Would using a professional interim leader help your organization better prepare for success with your next permanent leader? Why or why not?

***ELEMENT THREE:***  
**A Published Set of Board-Approved Policies**  
**Specific to Leadership Succession and Transitions**

Formalizing key practices into stated policies helps promote a healthy succession culture throughout the organization, including within the board, and creates a strong framework for pursuing leadership continuity. This would be a good place to begin if your board embraces its role as policy maker.

**Key Ideas About This Plan Element**

- The best policies are clear and concise. The worst policies are unclear and general.
- There are differences between “policies” and “procedures” and “practices.” Know the difference and limit this section to only “policy-based” information as board-approved directives.
- Always seek the assistance of qualified legal counsel before adopting or changing policy for your organization, especially as it relates to decisions associated with human resources.

**Critical Steps and Key Questions**

- ✓ Adopt a Chief Executive Succession Policy (see example in the appendix) which includes answers to the following questions:
  - i. What are the types of “vacancy” associated with the Chief Executive position? This can include leaves of absences (short-term and long-term) and permanent vacancies.
  - ii. What will be the leadership continuity solution associated with each type of vacancy?
  - iii. What are the roles and responsibilities of a Transition and Search Committee, if appointed, and what should its composition be to assure the best possible chief executive hire for the organization?
- ✓ Make sure the Executive Committee (or the officers of the board) reviews and updates the Chief Executive Succession Policy each year and forwards it to the board for approval
- ✓ Adopt two additional policies related to the chief executive, which provide for:
  - iv. Annual review of the chief executive’s performance to be conducted no later than two months prior to board approval of the annual operating budget
  - v. Analysis of compensation levels of the chief executive and members of the senior team in comparison to similar positions elsewhere in the market, to be conducted every three years
- ✓ Adopt a policy that provides for the board to conduct a regular self-assessment process led by the Governance or Board Development Committee
- ✓ Adopt a Board Leadership Succession Policy that provides for a progressive, three-stage commitment for those serving in the role of Board Chair:
  - vi. Chair-elect – also serves as chair of the Governance or Board Development Committee
  - vii. Board Chair – the Chair-elect automatically succeeds to this position when it becomes vacant
  - viii. Immediate Past Chair – also serves as chair of the Strategic Planning Committee (or some other meaningful task force or work group)

You can also help ensure that the board practices healthy succession habits by making sure that board term limits are clearly stated in the bylaws and that board members live up to their fiduciary Duty of Obedience by adhering to those requirements.

***ELEMENT FOUR:***  
**An Accounting of Current Human Resource Practices That Promote Leadership Continuity within the Organization**

A culture that values people as an essential asset of the organization generally encounters fewer succession planning issues because attention has been directed at retaining, recognizing and advancing talent. Leadership continuity will only take root if the people in the organization feel valued. This section of a succession plan generally answers the questions: How do we advance people, celebrate talent and maintain a lawful and safe work environment for paid and unpaid people? How do we resolve conflicts in orderly and fair ways? What kind of reputation do we want in the community as an employer and a place to volunteer?

**Key Ideas About This Plan Element**

- In the nonprofit sector, a reputation for being a good employer has a direct influence on whether the community supports that organization financially and through voluntarism.
- With a workforce that includes both paid and unpaid people, it is essential for nonprofit organizations to pay attention to human resources practices. Mistakes can be costly in the press and in the courtroom.
- The contents of this section invites important organic discussions about community reputation, the human resource culture, staff morale, employee retention, board turnover and volunteer program management.
- Maintaining detailed information about the human resources practices documented in the succession plan is imperative.

**Critical Steps and Key Questions**

- ✓ Facilitate discussions with the board and staff about whether and how your organization's human resources practices support a culture of leadership continuity. Identify practices that do, and consider what missing practices should be added.
- ✓ Does your organization observe the following basic human resources practices?
  - i. Create and use accurate job descriptions for both paid employees and volunteers, including board members.
  - ii. Maintain a personnel file for each employee that documents essential information.
  - iii. Create learning opportunities for staff and volunteers (we recommend setting aside a minimum of 1% of the annual budget for leadership development).
  - iv. Create volunteer and employee handbooks to help your people be more successful and feel appreciated and protected. Keep the handbooks current consistent with employment law.
  - v. Use annual performance reviews to celebrate accomplishments, plan future goals and communicate about expectations.
  - vi. Conduct regular compensation reviews to track the costs of replacing key positions.
  - vii. Make sure your hiring process is inclusive and equitable, and the practice is clear.
  - viii. Administer a clear and constructive process for resolving conflict among staff members, among volunteers, and between the two groups.
- ✓ What other human resources practices does your organization use that help support a culture of leadership continuity? What new human resources practices should you introduce?

**ELEMENT FIVE:**  
**Specific Strategies, as per the Strategic Plan,  
Reiterating the Organization’s Commitment to  
Develop the Pipeline of Talent Needed to Achieve its Goals**

The most compelling long-range plans are those which identify the resources, including human capital, that are required to achieve the organization’s goals. A strategic plan that includes those human resources and demonstrates how they will be developed comprises the final section of your succession plan.

**Key Ideas About This Plan Element**

- A strategic plan that identifies how the resources of time, knowledge, money and relationships will be developed to achieve the stated goals is more likely to be funded.
- Organizations that consider the development and stewardship of people resources in addition to the development and stewardship of financial resources are far less likely to have significant succession planning obstacles.
- Strategic plans that include building up and advancing people encourage greater community engagement, setting the stage for future employees, volunteers and board members to become involved with the organization’s work.

**Critical Steps and Key Questions**

- ✓ What message does your current strategic plan convey about the value that “people resources” (both paid and unpaid) have in the future success of your organization?
- ✓ If someone offered to fully fund your strategic plan, do you know exactly how much it would cost? In other words, if someone could write one check to pay for your entire plan as it is currently written, what would that dollar amount be?
- ✓ If someone offered to fully fund the human resources necessary to carry out the goals of your strategic plan, how much would that funding source contribute? (For example, this could include staff salaries and benefits at current market rates; bonuses; staff, volunteer and board training costs; and a volunteer recruitment, deployment and recognition program.)
- ✓ Over the course of the strategic plan’s implementation, how would your organization recruit, retain and recognize the talent necessary to fully achieve the stated goals?

**A COMMON ELEMENT IN EACH SECTION:**  
**Your Organization’s Stated Commitment and Identified Strategies  
to Cultivate Diversity, Inclusion, Equity and Access**

*Leadership must create meaningful connections between each of the five succession plan elements and the organization’s approach to the principles of diversity, inclusion, equity and access. During the completion of Element One, we recommend that these principles be discussed and defined as they relate to the organization’s current position and future direction. In each subsequent element of the succession plan, activities should be included that demonstrate the organization’s commitment to these social justice principles.*

## **APPENDIX**

Leadership Continuity Self-Assessment Tool

Nonprofit Information Inventory

St. Anne's CEO memos (2) about position vacancy strategies

Chief Executive Succession Policy

Additional Reading: Succession Planning Editorial (Long Beach Journal)