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AN ETHICS AND ACCOUNTABILITY CODE  
FOR THE NONPROFIT SECTOR

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## SUCCESSION PLANNING

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## PREAMBLE

America's nonprofit sector serves the public interest and plays an essential role in our society and economy. Hard at work strengthening communities across the nation, nonprofits enrich our lives in a variety of ways by creating a broad array of benefits to society in fields such as charitable, religious, scientific, economic, health, cultural, civil rights, environment, and education.

Public investment and confidence drive the success of nonprofit organizations. Individuals, corporations, foundations, and federal, state, and local governments add value to the services that nonprofits provide by investing time, resources, and funds.

The Standards for Excellence Institute aims to raise the level of accountability, transparency, and effectiveness of all nonprofit organizations to foster excellence and inspire trust. The Standards for Excellence code (Standards, or code) provides a framework and step-by-step guidelines to achieve a well-managed and responsibly governed organization.

The code builds upon the legal foundations of nonprofit management, governance, and operations to embrace fundamental values such as honesty, integrity, fairness, respect, trust, compassion, responsibility, and transparency. The code consists of six Guiding Principles in 27 topic areas with specific performance benchmarks that characterize effective, ethical, and accountable organizations. The Institute helps the nonprofit sector operate in accordance with the Standards for Excellence code by providing educational resources, assistance, and a voluntary accreditation process.

The Standards for Excellence Institute encourages all nonprofit organizations to adopt the Guiding Principles of the Standards for Excellence code. By implementing the performance benchmarks in the code, nonprofit organizations will meet the highest ethical standards for effective service in the public interest.

## STANDARDS FOR EXCELLENCE - GUIDING PRINCIPLES

### I. MISSION, STRATEGY, and EVALUATION

Guiding Principle: Nonprofits are founded for the public good and operate to accomplish a stated purpose through specific program activities. A nonprofit should have a well-defined mission, and its programs should effectively and efficiently work toward achieving that mission. Nonprofits have an obligation to ensure program effectiveness and to devote the resources of the organization to achieving its stated purpose.

### II. LEADERSHIP: BOARD, STAFF, and VOLUNTEERS

Guiding Principle: Nonprofits depend upon effective leadership to successfully enact their missions and programs. Effective leadership consists of a partnership between the board and management, each of which plays an essential role. Understanding and negotiating these shared and complex elements of leadership is essential to the organization's success. A nonprofit's employees and volunteers are fundamental to its ability to achieve its mission.

Board members are in a position of trust to ensure that resources are used to carry out the mission of the organization. An organization's board leadership should consist of volunteers who are committed to the mission and who demonstrate an understanding of the community served. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission.

Nonprofits should also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors. An organization's human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide meaningful and effective performance evaluation.

### III. LEGAL COMPLIANCE and ETHICS

Guiding Principle: Nonprofits enjoy the public's trust, and therefore must comply with a diverse array of legal and regulatory requirements. Organizations should conduct periodic reviews to address regulatory and fiduciary concerns. One of a leadership's fundamental responsibilities is to ensure that the organization governs and operates in an ethical and legal manner. Fostering exemplary conduct is one of the most effective means of developing internal and external trust as well as preventing misconduct. Moreover, to honor the trust that the public has given them, nonprofits have an obligation to go beyond legal requirements and embrace the highest ethical practices. Nonprofit board, staff, and volunteers must act in the best interest of the organization, rather than in furtherance of personal interests or the interests of third parties. A nonprofit should have policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest. Ethics and compliance reinforce each other.

### IV. FINANCE AND OPERATIONS

Guiding Principle: Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and nonfinancial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems.

### V. RESOURCE DEVELOPMENT

Guiding Principle: The responsibility for resource development is shared by the board and staff. Nonprofit organizations depend on an array of sources of financial support. An organization's resource development program should be maintained on a foundation of truthfulness and responsible stewardship. Its resource development policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors, prospective donors, and others providing resources to the organization.

### VI. PUBLIC AWARENESS, ENGAGEMENT, and ADVOCACY

Guiding Principle: Nonprofits should represent the interests of the people they serve through public education and public policy advocacy, as well as by encouraging board members, staff, volunteers, and stakeholders to participate in the public affairs of the community. When appropriate to advance the organization's mission, nonprofits should engage in promoting public participation in community affairs and elections. As such, they should communicate in an effective manner to educate, inform, and engage the public.

## ABOUT THE STANDARDS FOR EXCELLENCE INSTITUTE

The Standards for Excellence Institute is a national initiative established to promote strong standards of ethics and accountability in nonprofit governance, management, and operations, and to facilitate adherence to those standards by all nonprofit organizations. The Institute uses as a vehicle the Standards for Excellence program, a system of nonprofit sector industry self-regulation originated by the Maryland Association of Nonprofit Organizations and currently replicated by licensed partners in Alabama, Delaware, the District of Columbia, Ohio, Oklahoma, Memphis, Pennsylvania, and Virginia. The program is also being offered to chapters of The Arc nationwide through The Arc of the United States, to the American Nurses Association, to the Center for Public Justice, and to Catholic nonprofit organizations nationwide through Leadership Roundtable.

The centerpiece of the Institute's program is the Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector. The Institute also makes available to member organizations a comprehensive system of educational tools to enable individual nonprofit organizations to improve their governance and management practices. Standards for Excellence accreditation is available to individual organizations through a rigorous peer review process in selected locations and nationwide through the Standards for Excellence Institute.

For more information about joining the Standards for Excellence Institute or to obtain additional copies of the booklet or educational resource packets visit our website at [www.standardsforexcellence.org](http://www.standardsforexcellence.org).

# Succession Planning

As the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* states:

The board, in partnership with the executive, should engage in coordinated succession planning and leadership development to ensure a thorough process for recruiting and developing new board and executive staff positions. The succession plans should be in writing and approved by the board.

The numbers are staggering. Nonprofit organizations need to be prepared for transition in their ranks, including leadership<sup>1</sup> transition. Forbes recently reported that 45% of nonprofit employees will leave in the next five years citing pay as their reason to leave 49% of the time<sup>2</sup>. Without transition and succession planning for all transitions, organizations can be left scrambling. Although this packet focuses specifically on leadership transition, take note that best practices listed in the Standards for Excellence code such as having job position descriptions for all staff positions will make any transitions smoother.

When it comes to nonprofits, leadership transitions will add additional challenges to any nonprofit. With nonprofit turnover taking place at rapid rates, preparing for leadership transitions becomes even more critical. In one major US city alone during 2020, thirty executive directors left<sup>3</sup>. Nonprofit organizations that have been shielded, thus far, from transition in the executive director position may soon find themselves facing the issue head on. And if they haven't faced transition yet, keep in mind the average CEO stays six years.<sup>4</sup>

Additional challenges are faced by leaders of color. Research shows that nonprofits led by people of color report “challenges and frustrations such as being called on to represent a community, inadequate compensation, lack of relationships with funding sources, lack of social capital, and lack of role models at higher rates than their white peers.”<sup>5</sup> Furthermore, leaders of color, on average, have smaller budgets to work with, greater challenges securing funding, and feel less supported by white boards. These systemic injustices can create additional succession issues for nonprofits. Boards need to continue evaluate themselves and the organization, acknowledge injustices, unlearn dominant narratives and behaviors continuing to harm leaders of color and the organization, and create a plan of action to make change.

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<sup>1</sup> Nonprofit organizations use many different terms to describe their chief staff person. For the purposes of this Standards for Excellence educational resource packet, we will use the term CEO, Executive, and executive director interchangeably. Nonprofits should refer to their bylaws and position descriptions for the terms established for use in their own organization

<sup>2</sup> <https://www.forbes.com/sites/chrisstrub/2020/02/10/nonprofithr/?sh=e0b2e6015caf>

<sup>3</sup> <https://www.bizjournals.com/louisville/news/2021/04/23/cover-story.html>

<sup>4</sup> <https://www.humanresourcesonline.net/what-it-takes-to-become-a-global-ceo-in-a-time-where-their-average-tenure-is-6-years>

<sup>5</sup> <https://philanthropynewsdigest.org/news/nonprofit-leaders-of-color-face-additional-challenges-report-finds>

Succession planning not only can ensure continuity and reliability during transitions of leadership at board, executive, and key staff levels, but also can strengthen an organization's current operations and structure. This educational resource packet provides an overview of types of succession planning, the importance of leadership development, key elements of succession plans and procedures, and tips on succession planning.

### Staff Departure-Defined Succession Planning vs. Emergency Succession Planning<sup>678910</sup>

Departure-defined succession planning occurs when a key leader identifies an exit date up to one year in advance of his or her departure. Departure-defined succession plans usually consists of specific, detailed steps for organizational leadership to take during a defined period leading up to the leader's departure. By contrast, emergency succession planning occurs when key organizational leadership leaves his or her post unexpectedly due to an unplanned transition, death, disability, or some other extenuating circumstance.

#### Indicators Your Executive May Be Leaving

- Poor financial performance predicts turnover affecting smaller to midsize nonprofits more.
- When your executive has completed everything they wanted to do, gets another offer, gets sick, and can no longer complete duties, expect a departure.
- When your executive feels lonely or burned out.

Regardless of the type of succession planning required, there are concrete steps that any nonprofit organization can take now to ensure a smooth and high-quality leadership transition.

In fact, we recommend that all nonprofits, regardless of their size, put into place a succession plan even before they hire their first executive director. The plan need not be extensive, but it should outline a general process for how the Board will address either planned or unplanned departures.

### Preparing for Succession: Leadership Development

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<sup>6</sup> While this educational resource packet focuses on the board leadership transitions and staff transitions for the position of the executive director or key staff leader in an organization, it is also important to consider succession planning for other key staff positions, such as the Chief Financial Officer, the Development Director, and the Program Director. Many of the same transition concerns and steps (documentation of work strategy for interim staffing, cross-training) should be in place for these key staff positions, but the supervision of these positions would be a staff person, rather than the board of directors.

<sup>7</sup> Amanda J. Stewart & Jeffrey Diebold (2017) Turnover at the Top: Investigating Performance-Turnover Sensitivity among Nonprofit Organizations, *Public Performance & Management Review*, 40:4, 741-764, DOI: 10.1080/15309576.2017.1340900 To link to this article: <https://doi.org/10.1080/15309576.2017.1340900>

<sup>8</sup> [https://www.researchgate.net/profile/Robert-Yawson/publication/332063591\\_Human\\_Resource\\_Development\\_and\\_Executive\\_Leadership\\_Succession\\_Planning\\_in\\_Nonprofits/links/5ca46c7992851c8e64aeedd9/Human-Resource-Development-and-Executive-Leadership-Succession-Planning-in-Nonprofits.pdf](https://www.researchgate.net/profile/Robert-Yawson/publication/332063591_Human_Resource_Development_and_Executive_Leadership_Succession_Planning_in_Nonprofits/links/5ca46c7992851c8e64aeedd9/Human-Resource-Development-and-Executive-Leadership-Succession-Planning-in-Nonprofits.pdf)

<sup>9</sup> Jaime L. Olinske & Chan M. Hellman (2017) Leadership in the Human Service Nonprofit Organization: The Influence of the Board of Directors on Executive Director Well-Being and Burnout, *Human Service Organizations: Management, Leadership & Governance*, 41:2, 95-105, DOI: [10.1080/23303131.2016.1222976](https://doi.org/10.1080/23303131.2016.1222976)

<sup>10</sup> <https://hbr.org/2017/06/burnout-at-work-isnt-just-about-exhaustion-its-also-about-loneliness>

Nonprofit organizations should provide ongoing professional development (including cultural competency) and leadership training opportunities to staff and executives. These opportunities could include leadership training, executive coaching, mentorships by more senior organizational leaders, providing employees with new and challenging responsibilities, etc. By growing leaders internally with a diverse group of team members, nonprofit organizations can ensure that staff members are capable and prepared to manage the ongoing operations of the organization during a leadership transition. In addition, building internal leadership can strengthen the pool of internal candidates for the position that becomes available following a leadership transition. Nonprofit leaders should be cautioned to avoid making their entire succession plan dependent upon the organization's internal candidates stepping into the executive director position. Time and time again, nonprofits depend upon this strategy only to find that the pre-selected successor does not want to consider the position or ends up departing and becoming an executive director in another agency, prior to the carefully planned out succession that the board envisioned occurring so seamlessly.

Leadership development costs something. To talk to staff and executives about leadership development but not account for it in the budget, it to do a disservice to the organization and its staff. If you are considering leadership development, make sure you provide staff and/or executives time during their traditional working hours to make it a priority, expect accountability, and align the training with the organizational values and needs. Forbes provides these four ideas when budgets are tight:

- Start a focused book club;
- Practice focused mentoring;
- Use team meetings to learn; and
- Invest in targeted education programs<sup>11</sup>.

For executives, additionally consider executive coaching, certificate programs, cultural competency training, and formalized education. If the organization is providing funding for these services, consider asking the executive to work on projects related directly to the nonprofit and have the Board Chair touch base regarding the work. In some cases, such as formalized graduate education, nonprofits may ask the executive to sign a commitment statement to remain as the executive for a specific period of time after training is received.

The Bridgespan Group provides a useful resource for planning and implementing leadership development activities in their guide, "*Nonprofit Leadership Development: What's Your 'Plan A' for Growing Future Leaders*"

<https://www.bridgespan.org/bridgespan/Images/articles/nonprofit-leadership-development-guide/Nonprofit-Leadership-Development-Guide.pdf>

### **Developing Succession Plans and Procedures**

As mentioned briefly above, the time to develop a succession plan is not upon the resignation or termination of your organization's leadership. Develop a plan now and have it firmly in place before the need arises.

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<sup>11</sup> <https://www.forbes.com/sites/amberjohnson-jiimludema/2018/01/18/how-do-you-develop-leaders-on-a-budget/?sh=640c0b3e33b7>

Nonprofit organizations should consider defining a series of steps for its own formal succession planning. A sample set of steps for a succession plan follow:

1) Identify Roles and Responsibilities. Nonprofits should determine who within the organization is responsible for managing the transition process, as well as the roles and responsibilities of each involved party.

2) Conduct an Organizational Assessment. Organizational leadership should review the organization's strategy, strengths and weaknesses, and projected challenges and opportunities to frame conversations around leadership current needs. Remember to keep in mind that your needs may have shifted since you hired your last Executive Director. Conducting an assessment will allow the search team to understand the type of leader the organization needs, as well as areas which require particular attention during a transition (for example, when the individual leaving plays a significant role in resource development, administration of a particular program, etc.) The assessment can be completed internally or with the help of a consultant or other outside experts. Organizations are encouraged to make this determination based upon financial ability and knowledge capacity available at the organization.

Sample questions include:

- What has been learned from the current CEO?
- What is the current economic model? Is it working?
- Where are we on the strategic plan? How are we meeting the organization's Key Performance Indicators?
- Do we like our organizational culture? Do we want to keep it or change it?
- How does our organization function? Are we a group that works well in teams?
- What is our brand? Do we like it?
- Is our organization able to function in a VUCA (volatile, uncertain, complex, ambiguous) world?
- Are there any broader faith or cultural reason our organization is struggling/thriving?
- What core competencies are needed such as strategic leadership, financial acumen, communication, management skills, and/or cross cultural experience?

3) Review Financial Resources and Funding Strategies. The leadership transition team should review the organization's financial position and strategies to determine whether adjustments are needed in preparation for the leadership transition (for instance, whether the organization will need to build new relationships between internal staff and funders, or explore new sources of revenue). Be sure to include multiple perspectives and points of view. Organizations with small leadership teams or leadership teams that do not represent the diversity of the community served are encouraged to develop inclusive and creative approaches.

4) Ensure that Organizational Knowledge is Accessible. The departing leader should ensure that his or her organizational knowledge (including, relationships with partners and funders, the status of ongoing projects, etc.) is readily accessible to staff members and new leadership. Interim directors (see discussion below) should keep detailed records of changes that have occurred since the departure of the previous leader. Ensure multiple perspectives are involved in this knowledge accessibility step. Nonprofit leaders should consider seeking insights from other nonprofit leaders who have recently implemented a leadership transition.

5) Develop a Communications Plan. The leadership transition team should determine how they will communicate to internal and external audiences about the leadership transition, as well as whom they will inform and at which stages. Nonprofits should consider how the timeline established will impact the organization's stakeholders and the organization should consider approaches that will be as inclusive as possible. For more information on this topic, please see the Standards for Excellence educational resource packets on Administrative Policies and Educating and Engaging the Public.

For examples, see the Sample Succession Plans section of the Selected Resources provided below.

### **Hiring a New Executive Director**

There are many things to consider when making the decision to hire a new Executive Director. Factors such as knowing core competencies needed, deciding who will and how to manage the hiring process, and whether or not the organization will need to use of an interim director. You also may be asking yourself: Do we hire an internal or an external candidate? How can we ensure that our new Executive Director relates to or represents the community served? All of these questions are normal, and much thought should go into responding to each of these. The organization should also consider whether it has the ability to hire on its own or whether or not outside assistance is needed. Your organization may find that incorporating the insights of a community member or advocate will strengthen the process, even if this individual has a comparatively smaller role in the process. Take time to explore these issues as you begin to think through the process your board will utilize when hiring the next executive. Creating a succession plan before your organization is in an emergency situation is critical. Organizations should review their succession plan on a regular basis, especially when the organization experiences changes in staffing (particularly when individuals named in the succession plan as potential acting or interim leaders depart or join the organization.) For organizations that begin their succession

### **Communications 101 and Managing Transitions:**

Managing communications related to transitions can be as equally important as the transition itself. People hear news differently, react differently, and have different communication needs. William Bridges, Ph.D. and author of a classic business book called *Managing Transitions*, as summarized by the University of Michigan, points out that although “the change may appear to have been implemented flawlessly, transition happens much slower. People undergo several phases as they transition: letting go of the past ways, a neutral zone where everything seems uncertain, and a new beginning with new ways.” Communicating throughout these three phases is crucial for current staff. If you have a transition coming in the near future, consider reading Bridges.

<https://faculty.medicine.umich.edu/ways-transition-staff-smoothly-during-periods-change>



planning efforts in the midst of an organizational crisis or emergency, consulting or involving key funders and other partners for input and assistance may prove beneficial.

Identify an Interim Director. Interim leadership is key to effective succession, especially in cases of emergency leadership transitions. The organization should determine in advance how it will select and onboard an interim director in the event of a departure-defined or emergency succession. Do not rely on the board chair to fill this role. He or she will be consumed with details of the transition and eventual succession. The Bridgespan Group provides a useful resource on identifying interim leadership, “*Interim Leadership: Looking Beyond the Executive Director*”

<https://www.bridgespan.org/insights/library/hiring/interim-leadership-looking-beyond-the-executive-di>

**Items to Consider When Hiring an Outside Firm to assist with Hiring:**

- Do you have the ability to manage the hiring process?
- Do you have finances available to hire a firm?
- Do you have access to a qualified, diverse set of candidates?
- Do you have the ability to market the job description?

Identify, Evaluate, and Select Candidates. Organizations need to create well-defined plans for hiring executive leadership during both departure-defined and emergency transitions. Executive leadership and the board of directors should develop a formal process for evaluating internal and external candidates before the candidate selection process begins. There are benefits and disadvantages to going with both internal and external candidates, but the process should be objective and consistent with all. One additional item to consider with internal candidates is whether or not to review their performance review as a part of the selection process.

The process should include clear standards for:

- position descriptions
- selection criteria
- roles of senior leadership and board members
- external resources to be used (such as, executive directors from non-competing organizations)

Western Michigan University provides a useful sample hiring checklist for internal and external candidates: <https://wmich.edu/sites/default/files/attachments/u368/2014/hr-hiringchecklist.pdf>. In addition, Montana State University Billings provides a helpful reference on the advantages and disadvantages of internal and external recruiting in “*Pros and Cons of Internal and External Recruiting*”

<https://wwwtest.montana.edu/hr/documents/Recruitment/professional/Recruitment%20and%20Hiring%20Handbook.pdf>.

For more information on hiring internal and external candidates, see the Selected Resources section below.

## Succession Planning for Board Leadership

Not only do nonprofit organizations need to prepare for transitions and succession planning in the executive director position, but in our world of term-limited boards, we also must be ready for succession planning for board leadership on a more frequent basis.

The board should ensure that it has a plan to fill key board leadership positions in the case of both planned and unplanned departures of officers of the board and committee leaders, to name a few. The mark of an exceptional leader is that his/her undertakings thrive and do not lose momentum or collapse in his or her absence. If you want competent people to be willing to step forward to take on leadership roles and continue efforts and initiatives, sitting board leaders need to think about succession well before they plan to leave their posts. Board leaders should constantly monitor and assess current board membership and keep members' skills and talents front and center. Consider board members for leadership roles in an equitable and inclusive manner.

As your organization maintains an executive succession plan at all times, so too should your board. This holds true for committee chairs, project leaders, board presidents, and also for board members who do their work behind the scenes. Organizations can get the right people to step into leadership roles if they are set up to succeed.

Board term limits provide natural leadership transitions within the board context, and hence, succession should be on the mind of everyone as board composition is reviewed. Succession planning for board members also allows for a review of the composition matrix with a board planning succession grid on a regular schedule and can be utilized to plan for term limits and review and set goals for justice, equity, diversity, and inclusion as well as review knowledge and skills, commitment, connection to the mission, and expertise needed. Reviewing in advance of leadership changes is necessary. As a reminder, term limits for board members should be integrated with board member performance evaluation and peer approval. Additional terms are not a given or guaranteed. Removal may also be necessary if major disagreements are unable to be solved after trying different ways to solve the issue. For outstanding board members, consider rotations and limits that include the option for returning after a set period of time off the board when terms expire.

### Board Succession Steps

**Align with board members on your plan:** Provide an overview of why succession is important.

**Assess potential vacancies:** Stay on top of term limits and which board members will be leaving. Also, have a plan in place for unexpected vacancies, such as terminations of board members

**Recruit talented individuals for future transitions:** Create a network of possible board members that can fill planned or unexpected vacancies. Reach outside your current networks and strive for JEDI (Justice, Diversity, Equity, and Inclusion).

**Establish an onboarding process:** Create a plan for bringing in new board members and orienting them to their new roles.

Executive directors and boards of directors face unique challenges when transitioning board members. To strengthen the board succession process, nonprofit organizations should make sure that:

- The work of board members is well documented – both through meeting minutes and through a written job description for board members in general and the board officers.
- They clearly identify the qualities and talents of ideal board members (such as, what skills and leadership traits are required for a position on the board finance, program or fundraising committee?) Look beyond developing the standard composition board matrix that qualifies potential members based on their professional abilities.<sup>12</sup> Identify personal qualities that are important to your board such as integrity, curiosity, and commitment, for example. Review composition for justice, equity, diversity, and inclusion. Maintain a potential member talent pipeline.
- They continuously focus on how to attract high-quality board members (for example, conducting the board member search across diverse communities, capitalizing on the organization’s exceptional culture or reputation, etc.). This may involve board members expanding their networks rather than relying primarily on a few board members or stakeholders to conduct all of the work in this area.
- They start looking for and cultivating leadership before it is needed.

In addition, nonprofit organizations should clarify the roles and responsibilities of board members and other senior leadership in board succession planning. Nonprofits should formalize the position(s) or board committee responsible for:

- leading succession planning;
- identifying potential board members; and
- interviewing, evaluating and selecting candidates.

Such positions and board committees would be accountable to the board of directors. The organization also should have a process for electing board members, which should be formalized in the organization’s bylaws.

### **Succession Planning for the Board Chair**

The relationship between the Board Chair and the Executive Director is crucial. Hence, special care should be taken when considering the succession of the Board Chair. The organizational bylaws typically provide a general overview of Board Chair responsibilities, but an additional job description will be necessary to set expectations of what truly is required for this important role. The size, organizational life-cycle, and type of organization impact leadership roles, so the board chair so the job description should be as detailed as possible. A draft Board Chair job description should be reviewed to ensure equity considerations are appropriately addressed. Additionally, to prepare for Board Chair succession, boards must consider how they invest into board members to ensure that they have the tools needed to be a leader within the organization.

An agreed upon process and selection criteria must be set for the Board Chair. Board Chair must have:

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<sup>12</sup> Refer to the Board Composition Standards for Excellence educational packet for the matrix.

- 1) More time than a typical board member and the ability to meet with the Executive Director as needed or at regularly scheduled meetings;
- 2) Strong knowledge of ethics in organizations;
- 3) Clear communications skills, including verbal and written skills;
- 4) Ability to manage staff and board members effectively;
- 5) Strong cultural competencies and ability to work with diverse stakeholders;
- 6) An understanding on the difference between governance and management; and
- 7) Confidence, clarity, and strength in handling difficult situations and dealing with conflicts of interest (Hansen, 2017)

### Succession Planning and the Exit Interviews: For Board and Executives

Both Executive Directors and exiting board members should complete an exit interview. This evaluation provides Board members and Executive Directors the ability to provide necessary feedback and reflection that they may have been hesitant to give while currently serving or that they have discussed with leadership in the past. It is an excellent opportunity to formalize constructive comments and provide areas for improvement. A good exit interview process set for board members and executives nearing the end of their time or as a part of a planned transition can assist in filling large voids of knowledge as well as be used to provide practical information such as organizational contacts historical information.

The following chart provides sample exit interview questions that may be asked to both a board member and an Executive Director.

<b>Board Service Exit Interview</b>	<b>Executive Exit Interview</b>
<ol style="list-style-type: none"> <li>1. Was the vision and mission made clear?</li> <li>2. Was your role made clear?</li> <li>3. Was your role a good fit for your talents and gifts?</li> <li>4. Did you understand how decisions were made?</li> <li>5. Were you treated as a valuable member of the team?</li> <li>6. Were the meetings an efficient and productive use of time?</li> <li>7. Were you provided with enough updated information about the program?</li> <li>8. How would you like to see ABC Nonprofit grow in the next few years?</li> <li>9. In what ways did you see the organization lean into the principles of diversity, equity and inclusion at the board level?</li> </ol>	<ol style="list-style-type: none"> <li>1. What accomplishments are you most proud of during your time as the chief executive?</li> <li>2. What legacy do you feel you are leaving the organization?</li> <li>3. What did you like most, and least, about being the chief executive of this organization?</li> <li>4. What do you suggest we do or stop doing to make our organization a better place to work?</li> <li>5. If you could change anything about the job or the organization, what would it be and why?</li> <li>6. Did you receive the training or professional development needed to excel at your job?</li> <li>7. Did you receive constructive feedback from the board and senior leadership through a formal performance review process? If not, how might this have</li> </ol>

<p>10. Use this space to provide any other questions, comments, or concerns.</p> <p>©rootED LLC</p>	<p>had a positive impact on your responsibilities?</p> <p>8. Were you happy with your relationship with the board, and, specifically, the board chairs? What can the board do to improve its role as a strategic partner to the chief executive?</p> <p>9. Do you have any recommendations regarding compensation, benefits, and other reward or recognition efforts?</p> <p>10. How does the current board add value to the organization?</p> <p>11. What areas of governance or board operations need attention or improvement to set the next chief executive up for success?</p> <p>12. What can the board do to create a strong working relationship with the next chief executive?</p> <p>13. In what ways did you see the organization lean into the principles of diversity, equity and inclusion at the staff level?</p> <p>14. Is there any other information you want to share that has not been asked?</p> <p>©rootED LLC</p>
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### **Selected Resources on Succession Planning**

The Annie E. Casey Foundation provides a guide to board engagement in succession planning for leadership transitions of both executive directors and board members:

<https://www.aecf.org/resources/stepping-up-staying-engaged>

The River Network provides a checklist and template for use in board succession planning:

<https://www.rivernetwork.org/resource/board-succession-plan-checklist-and-template/>

Also see other Standards for Excellence educational resource packets on board related topics for more information.

A special Board Room Quick Tip on this subject is provided as an attachment to this educational resource packet.

### **Managing Transition Resources**

Bridges, W. (2017). *Managing transitions: making the most of change* (25<sup>th</sup> anniversary edition). Reading, Mass, Addison-Wesley.

Kotter, John P. *Leading Change*. Boston, Mass: Harvard Business School Press, 2012. Print.

### **General Succession Planning Overviews**

“*A Chief Executive Succession Planning Checklist*,” BoardSource

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[See also Attachment A of this educational resource packet.](#)

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## Attachments

- **Attachment A:** Leadership Development and Succession Plan, Source: Standards for Excellence Institute, Baltimore, Maryland, 2014-2021.
- **Attachment B:** Board Room Quick Tip, Is Your Bull Pen Full? Source: Standards for Excellence Institute, Maryland Nonprofits



# Attachment A

## Sample Leadership Development and Succession Plan

### 1. Rationale

The executive director position in a nonprofit organization is a central element in the organization's success. Therefore, ensuring that the functions of the executive director are well-understood and even shared among senior staff and volunteer leaders is important for safe guarding the organization against unplanned and unexpected change. This kind of risk management is equally helpful in facilitating a smooth leadership transition when it is predictable and planned.

This document outlines a leadership development and succession plan for the NONPROFIT ORGANIZATION. The purpose of this plan is to ensure that the organization's leadership has adequate information and a strategy to effectively manage NONPROFIT ORGANIZATION in the event the executive director is unable to fulfill his/her duties or announces his/her departure.

### 2. Succession Plan Implementation

The Board of Directors authorizes the Board Chair to implement the terms of this succession plan in the event of a planned or unplanned temporary or short-term executive director absence. It is the responsibility of the executive director to inform the Board of Directors of a planned temporary or short-term absence, and to plan accordingly.

As soon as feasible, following notification by the Executive Director's temporary or short-term absence or departure, the Board Chair shall convene an Executive Committee meeting to affirm the procedures prescribed in this plan, or to modify them if needed.

### 3. Priority Functions of the Executive Director at NONPROFIT ORGANIZATION

The full Executive Director position description is attached to this plan.

Among the duties listed in the position description, the following are considered to be the key functions of the Executive Director and have a corresponding temporary staffing strategy.

<b>Key Executive Director Functions</b>	<b>Temporary Staffing Strategy</b>
Leadership and Vision	Board Chair with [Staff member title]
Board Administration and Support	[Staff member title]
Program Management	[Staff member title]
Financial Management	Chief Financial Officer; Treasurer
Human Resource Management	Director, Human Resources
Funder Relations	[Staff member title]
Community and Public Relations	[Staff member title] with Board Chair and his/her designee
Spokesperson	Board Chair or his/her Designee

The positions assigned in the Temporary Staffing Strategy are based on NONPROFIT ORGANIZATION's organizational structure as of [Date plan adopted]. In the event this plan is implemented and assigned positions are vacant or no longer available, the Board Chair shall select other senior staff to support each of the key Executive Director functions.

#### **4. Succession plan in the event of a temporary, planned or unplanned absence - Short-Term**

##### **a. Definitions**

- A temporary or short-term *absence* is one in which it is expected that the Executive Director will return once the events precipitating the absence are resolved.
- An *unplanned absence* is one that arises unexpectedly, in contrast to a *planned leave* such as vacation or a sabbatical.
- An *urgent transition* circumstance occurs with the death or disability of a Senior Executive. Disability is evidenced by one of the following: (1) a physician states in writing that the executive is unable to manage financial and general corporate affairs, or (2) a vote of the Board in which two-thirds of the members of the Board express in good faith that the senior executive is unable to manage financial and general corporate affairs. In the event of an urgent transition, the organization will follow the *unplanned absence* short- or long-term plans based on the gravity of the situation.
- A *temporary absence* is 30 days or less.
- A *short-term absence* is between 30 and 90 days.

##### **b. Temporary Staffing Strategy**

For *temporary* planned or unplanned absences of 30 days or less, the Temporary Staffing Strategy described above may become effective. In the event of a *short-term* planned or unplanned absence, the Executive Committee shall determine if the Temporary Staffing Strategy is sufficient for this period of time.

##### **c. Appointing an Acting Executive Director**

Based on the anticipated duration of the absence, the anticipated return date, and accessibility of the current Executive Director, the Executive Committee may appoint an acting executive director, as well as continue to implement the Temporary Staffing Strategy.

**d. Standing Appointees to the Position of Acting Executive Director**

- The first position in line to be acting executive director is [Position – Senior Staff Member, may also be Board Chair]. If the current Board Chair accepts the position, he or she will take a temporary leave from the Board of Directors.
- The second position in line is [Position].
- The third position in line is [Position].
- In the event that no clear choice is available for an acting executive director, for example if the next most senior staff member is new to the position or fairly inexperienced with NONPROFIT ORGANIZATION, the Executive Committee may consider an external consultant or a current or former board member to serve as acting executive director. If a board member accepts the position, he/she will take a temporary leave from the Board of Directors.

**e. Cross-Training Plan**

The Executive Director shall develop a training plan for each senior level position for each of the key functions of the Executive Director listed in Section 3.

**f. Authority and Restrictions of the Acting Executive Director**

The acting executive director shall have full authority for day-to-day decision-making and independent action as the regular Executive Director. Decisions that shall be made in consultation with the Board Chair and/or Executive Committee include staff hiring and terminations, financial issues, taking on a new project, and taking public policy positions on behalf of the organization.

**g. Compensation**

Director-level staff appointed as acting executive director may receive a salary increase for the time period he/she serves as acting director. The amount shall be determined in an equitable manner and should reflect the scope of work, the duration of the assignment and available resources. The Executive Committee would be tasked with determining equitable compensation.

A current or former board member appointed as Acting Executive Director may enter into an independent contractor agreement, depending on the circumstances of their availability.

**h. Board Oversight and Support to the Acting Executive Director**

The acting executive director reports to the Board as a whole. The Executive Committee shall be alert to the special support needs of the acting executive director in this temporary role. The Executive Committee shall convene monthly when an acting executive director is appointed.

**i. Communications Plan**

Within 48-hours after an acting executive director is appointed, the Board Chair and the acting executive director shall meet to develop a communications plan including

the kind of information that will be shared, when and with whom. The following chart identifies key supporters and primary contacts to facilitate communication.

As soon as possible, the Board Chair and acting executive director shall implement the communications plan to announce the organization’s temporary leadership structure to staff, the Board of Directors and key supporters.

Within 5 business days after an acting executive director is appointed, the Board of Directors shall distribute a press-release with general information appropriate to the situation.

<b>Key NONPROFIT ORGANIZATION Supporters</b>	<b>Communication Responsibility</b>
Governmental Agencies Elected Officials Other Stakeholders	Acting executive director and [Staff member-title] with designated Board Members
Foundation Program Officers (holding Grants and Contracts with NONPROFIT ORGANIZATION)	Acting executive director with designated Board Members
Major Donors	Designated Board Members responsible for phone call to top 10 followed by a letter to all donors
Clients	[Staff member-title]
National Colleagues	[Staff member-title]
Close Organizational Stakeholders	Acting executive director with designated Board Members
Operating Support (based on need)	CFO, Auditor, Legal Counsel, Insurance Agent

**j. Key Documents**

Relevant documents will be updated periodically by the executive director and made available to the Board of Directors, including:

- Contract of employment for executive director.
- A list of critical duties performed only by the executive director daily, weekly, monthly, or annually will be kept current by the chief executive and maintained on file by the Board Chair—e.g., the following processes cannot go uncovered due to the absence of the executive director for extended periods of time: contract renewal, emergency personnel actions, payroll processing, staffing of board meetings; and timely bill approval and payment.
- Updated contact information shall be maintained in the organization’s database with the following designations:
  - Key Contact List
  - Past Board Officers/Members List
  - Foundation CEOs
  - Members

- Other Organization Contacts
- An updated contact list of appropriate places to advertise the executive director position and list of executive transition/search firms. Consider search firms that cater to diverse candidates.

## 5. Succession plan in the event of a temporary, unplanned absence - Long-Term

### a. Definition

A *long-term* absence is 90 days or more.

### b. Procedures

Procedures and conditions to be followed shall be the same as for a short-term absence with the following addition:

The Executive Committee shall give immediate consideration, in consultation with the acting executive director, to temporarily filling the management position left vacant by the acting executive director, or reassigning priority responsibilities where help is needed to other staff. This is in recognition that, for a term of 90 days or more, it may not be reasonable to expect the acting director to carry the duties of both positions. The Board Chair and Executive Committee are responsible for gathering input from staff and reviewing the performance of the acting executive director according to the organization's Performance Review Policy. A review shall be completed between 30 and 45 days.

## 6. Succession plan in the event of a permanent departure of the executive director.

- Procedures and conditions to be followed in the event of a permanent, planned or unplanned, departure shall be the same as for a temporary absence with the following additions: **Briefing Materials**

If possible, the outgoing executive director should **prepare a briefing package and** complete performance reviews on all personnel before he/she leaves.

- Assessment of Organizational Structure and Leadership Needs**

The Board shall review of the mission, vision and strategic direction of the organization. The Board shall determine the type of leadership the organization is seeking on a permanent basis, and will seek staff input on the leadership needs of the organization, as appropriate. Other organizational options may be explored such as restructuring, strategic alliance, merger, or a management company. If the same organizational structure will be maintained, the Board (or Transition Committee) shall determine the knowledge, skills and attributes needed in the new executive director and develop an appropriate position description and announcement.

**c. Transition Committee**

Within 15 business days from the announcement of a planned departure, the Board Chair shall appoint an Executive Transition Committee. This committee shall be comprised of at least one member of the Executive Committee, two other members of the Board of Directors and one Director-level staff. Other community volunteers may be recruited at the discretion of the Board Chair. The organization should ensure that its Transition Committee intentionally engages multiple perspectives. The size of the committee shall be the discretion of the Board Chair.

**Transition Committee Responsibilities**

Scope of the Search Process:

- The Transition Committee shall determine its role, including responsibilities related to conducting the search process. The Transition Committee may recommend that the Board of Directors appoint a separate Search Committee, while the Transition Committee manages the overall transition process for the organization.
- The Transition Committee shall determine the need for consulting assistance (i.e., interim leadership, executive search consultant) based on the circumstances, and establish a time frame and plan for the recruitment and selection process. Circumstances that would point to the need for outside assistance include involuntary separation of the executive director, departure of a long-time leader, if the agency is in a crisis, or if the agency is considering a merger or other significant structural change.
- The Transition Committee should discuss the organization’s last executive director replacement(s) process and any lessons learned, drawing on the experiences of other board members when necessary.
- The Transition Committee will determine if there is a suitable internal candidate. If so, the qualifications of that candidate will be reviewed against the position description with the entire Board of Directors for consensus and to determine if an offer should be made or, in the alternative, to proceed with the next step and include this candidate in the selection process. Such a process should reference the position description in order to be as objective as possible and should avoid situations relying solely on board members’ working knowledge of internal candidates.
- If there are no internal candidates to be considered or if additional candidates are considered necessary, the committee may then proceed to advertise the opening throughout local media and job placements sources. The Chair may ask a current staff person to place the advertisements and receive the applications, or a board member organization may offer the services of its Human Resources department, or an executive search firm considered.
- ORGANIZATION shall seek to develop a diverse pool of candidates for the executive director and shall employ outreach practices to cultivate a diverse pool. The organization should create a list of search firms focused on diversity in advance.
- A comprehensive search should take from 90 to 180 days from start of the search to hire date (not necessarily start date, depending on circumstances). The Transition Committee should develop an estimated timeline to help guide its implementation.

- Confidentiality of the applicants shall be maintained.
- The Transition Committee will assign responsibilities to committee members or an outside consultant to screen resumes, and conduct screening interviews. The full Transition Committee will meet with the candidates as appropriate and select at least the top two (2) for presentation to the entire Board of Directors. The Board will interview each candidate individually and, based on consensus or majority vote, will select the most desirable candidate.
- The Board shall set the parameters for the compensation package and charge the Transition Committee Chair to make an offer to the most desirable candidate. An agreement in the form of a formal offer or contract may be prepared by an attorney for approval by both parties.
- The Board shall disclose all relevant information about the organization at the time of offer, including organizational mission, vision, strategy, financial position, audit outcomes, any pending legal issues, and any other information that will be relevant to his/her decision to take the position. The Board shall disclose any “exit plan” of the departing executive director.
- Upon approval by both parties, the new executive director will commence employment at a mutually agreed date.
- Once the selection of a permanent executive director is final a press release should be issued with broad communication to members, media and major stakeholders. Individual outreach and calls to key stakeholders, such as funders, is desirable before the distribution of the press release.

#### **Search and Transition Costs**

- As part of this succession plan process the Transition Committee will determine any expense needs above and beyond the current annual budget and communicate this to the Treasurer who will advise the board about the need to solicit necessary funding or reduce other expenditures appropriately. Costs to be considered include:
  - outgoing executive director severance or outplacement,
  - interim executive leadership and/or any additional salary or bonus costs for senior managers taking on additional responsibilities
  - advertising or search firm fees,
  - relocation costs, or increased salary for new executive director.

#### **d. Board Members as Candidates**

If a board member desires to be considered for interim executive director or for permanent candidacy, he or she must first resign from the Board of Directors, and cannot be considered for re-instatement for at least 12 months if unsuccessful.

#### **e. Interim Leadership**

An interim executive director may be needed, even in the event of a planned departure of the executive director. The purpose of establishing an interim executive director is to provide neutral leadership to the organization while assessment and key decisions about the future are made by the Board of Directors. The Board of Directors shall consider the need to hire an interim executive director from outside the organization, instead of appointing an acting executive director. This decision shall be guided, in

part, by internal candidates for the executive director position, the expected time frame for hiring a permanent executive, and the management needs of the organization at the time of the transition. If an interim executive director is hired, the Board Chair and Executive Committee shall negotiate an independent contractor agreement with a defined scope of work. The scope of the agreement with an interim executive director shall be determined based on an assessment of the organization's needs at the time of the leadership transition.

Responsibilities of the Interim Executive Director: An interim executive director shall have full authority for day-to-day decision-making and independent action as the regular executive director. Decisions that shall be made in consultation with the Board Chair and/or Executive Committee include staff hiring and terminations, financial issues, taking on a new project, and taking policy positions on behalf of the organization. The interim executive director may be asked to conduct an organizational assessment.

**f. On-boarding and First 6 Months**

Once the signed contract is received and before the new executive director begins employment, a letter from the Board should be sent welcoming them to the organization, along with verifying their starting date and salary. At this point, the board may send an announcement to staff and all major stakeholders about the new person highlighting their qualifications.

- A meeting should be scheduled with the new executive director to brief them on strategic information and the direction of the organization. All necessary materials (last year's final report, the strategic plan, this year's budget, corporate documents, the employee's policies and procedure manual if they did not get one already, and any other pertinent information) should be sent in advance to the successful candidate.
- During the first six weeks on board, it is recommended that one-on-one meetings (face-to-face or over the telephone) be regularly scheduled with the new executive director and Board Chair or designated Board member(s) to discuss her/his transition into the organization, hear any pending issues or needs, and to establish a strong working relationship with the new executive director.
- All financial institutions will be informed and new signature cards executed for all accounts.
- The Board shall provide written expectations of the new executive director to guide the first 6 months of the executive director's tenure. The Board may ask the new executive director to provide a written entry plan.
- The Board shall provide the executive director with the evaluation process and instrument it will use after the first 12 months on the job. The Board shall have informal check-in meetings with the new executive director three months and six months after start date to review the work plan and priorities and to resolve any issues that have arisen. The Board shall conduct a formal evaluation of the executive director after 12 months of service.

**7. Approvals and maintenance of record**



**a. Leadership Succession Plan Approval**

This leadership succession plan shall be approved by the Board of Directors and maintained as part of the policy documents for the organization. The leadership succession plan should be reviewed for equity. Thereafter, every two years, the Executive Committee shall review the plan and recommend any amendments to the full Board as needed.

**b. Financial Considerations**

It shall be the responsibility of the Board of Directors to review the organization's finances during an unplanned absence of the executive director, and make adjustments, as needed, to the agency's budget to ensure adequate resources for the transition.

**c. Signatories**

At all times the Board Chair and at least one Director-level staff, in addition to the executive director, shall have signature authorization for payments and contracts for the organization.

Source: Maryland Nonprofits dba Standards for Excellence Institute, 2014-2022.

### **Attachment B**

- ◆ Your organization's bylaws, policies, procedures, and practices may impact the applicability of suggestions offered.
- ◆ For the purposes of the Board Room Quick Tip Series the title Executive Director will always refer to the lead staff person. The title President and/or Chair will always refer to the volunteer head of the board of directors.

## **Board Member Succession Planning <sup>(8u)</sup>**

### **Is Your Bull Pen Full?**

It does not matter if you are a committee chair, project leader, four-term board president, or a board member who does their work behind the scenes without a title, you need to be thinking about your exit strategy. Institutional knowledge can be lost if your Board does not have an intentional succession strategy

The mark of an exceptional leader is that their project/organization is thriving and does not collapse in their absence. Keep in mind that you are much more likely to get someone to agree to take on a leadership position if they know a year or cycle in advance so they can pay attention to not just what is being done, but how.

To ease the transition of a position from one person to another your organization may want to consider adapting an e-mail convention that uses titles instead of the name of the person currently in the position. So, instead of Jane\_Smith@greatestnonprofit.org consider President@greatestnonprofit.org for example. Less institutional knowledge and contacts may be lost this way.

Every organization and board is unique and no single system will work for everyone. Some boards have well-established leadership development plans with well-defined and documented processes for orderly transition. Some organizations scramble at the last minute to put someone into a position with no planning or opportunity for knowledge about the position to be transferred, forcing the new person to reinvent the wheel from the beginning instead of picking up where their predecessor left off. No matter where your organization falls, here are some things that you as an individual can think about and suggestions for you to bring back to the Board for consideration.

## Strategies for Successful Succession Questions to Ask and Things to Do

- ♦ Do you have an accurate job description? If not, draft one. After all, who is in a better position to say what the job is than the person doing it? Next go through the proper channels to get it approved/adopted.
- ♦ Do you keep a “how I did it” journal? Methods of doing things that you may think are intuitive, obvious, and common sense, can be things a successor coming with different experience could view as unique, insightful, and innovative.
- ♦ Do you take the time to let someone help you? Yes, it is often much more efficient (in the short term) and less frustrating to just do it yourself. But if the position you are in is helpful to the organization and you are not planning to stay in your position forever, you should take the time to let others help and develop ownership in a positive outcome. Do not underestimate how intimidating many positions and tasks can seem from the outside. Once you let others see how things work from the inside and how you manage the task or activity, you might be surprised when those people volunteer for positions instead of having to be drafted. Apprentices are not just for electricians!
- ♦ Does your organization already have an established system of leadership cultivation and succession for officers? Can that system be replicated within your committee structure and/or for other key board positions? If you have a President-Elect, there is really no reason you could not have a Marketing Committee Chair-Elect. *(Note: This “Chair Elect” type of “rigid” succession planning is best suited to organizations with large, dedicated memberships that tend to remain involved over long periods of time.)*
- ♦ If your organization does not have a system of leadership development that is working well, could your board encourage its members to adopt a three-step exit strategy? Such as ...

**Step one is triggered by one of the following thoughts or realizations:** “I know I will be invited back for another term but I think I have made my mark and would like to move on”. Or “My term is over soon and due to term limits I will need to step down for a least one year.”

To do-list:

- ♦ Make a list of what loose ends you would like to tie up.
- ♦ Work with/help the Board Development or Executive Committee to identify who will take over for you.
- ♦ Have the new person officially elected, appointed, or recognized as the next X (X = President, Treasurer, Committee Chair, event host, etc.). For many positions, it is helpful if this is done one year or project cycle in advance. This will allow the individual to see things happen from the perspective of someone who is going to have to make it happen next time.

### **Step Two**

To-do list:

- ♦ Let everyone your position interacts with know who will succeed you and that you are confident they will do a great job.
- ♦ Actively engage the new person in all aspects of the position they will be assuming.
- ♦ Keep a “how I did it” journal to pass on to the new person.

### **Step three**

To-do list:

- ♦ Turn over your journal and “gavel.”
- ♦ Sit back and watch. Be supportive and defer to the new person.

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