

# KEY STEPS IN CHIEF EXECUTIVE SUCCESSION PLANNING

There are a number of things that board members should understand, respect, and act on to implement an effective succession plan before an executive search looms on the horizon.

## 1. UNDERSTAND THE JOB OF THE NONPROFIT CHIEF EXECUTIVE.

The multiple dimensions of the demands placed on the modern nonprofit chief executive should encourage boards to take a closer look at what keeps many of them awake at night or quietly determined to limit their time of service. Boards that find ways to help their executives manage the stresses that come with the position, compensate them fairly, and provide a climate for them to succeed are likely to secure a greater return on their investment in succession planning.

- Is there a current and adequate written job description that clearly spells out the responsibilities of the chief executive?

## 2. DEVELOP AN EMERGENCY LEADERSHIP TRANSITION MANAGEMENT PLAN.

One of the most unsettling events in the life of an organization is a change within the top professional position. Organizations that gracefully weather an abrupt chief executive departure are more likely to have boards that have anticipated what needs to be done to ensure the wellbeing of the organization and its stakeholders. An effective emergency leadership management plan provides clarity on who will do what in the event that the chief executive cannot perform his or her essential duties.

- Does the board have in place emergency transition management policies in the event that the chief executive is not able to serve or departs suddenly?

## 3. DEFINE THE MUTUAL EXPECTATIONS OF THE CHIEF EXECUTIVE AND THE BOARD.

As organizations undergo changes in institutional strategy, environmental conditions, and staff members, boards and chief executives need to communicate regularly about the expectations they have of one another. Forging a healthy relationship between the chief executive and board chair in which each is willing to challenge and support the other takes time and trust.

Governing in constructive partnership with the chief executive is one of the characteristics of exceptional boards identified in *The Source*. For a board to be exceptional, it must recognize that its effectiveness and the effectiveness of the chief executive are interdependent.

- Is there a climate of mutual trust and respect between the board and the chief executive?
- Is there agreement between the board and the chief executive on their respective roles and mutual expectations?
- Do the board and the chief executive have a collective vision of how the organization should be evolving over the next three to five years?

## 4. DESIGN AND IMPLEMENT A CONSTRUCTIVE AND HUMANE PROCESS FOR EVALUATING THE CHIEF EXECUTIVE'S PERFORMANCE.

Agreeing in advance on a formal chief executive assessment process as part of a succession plan provides a framework for a regular dialogue between the board and the chief executive. A board strengthens the succession planning process by offering constructive feedback at regular intervals rather than waiting until an annual review. The assessment process can also provide a diplomatic opening for the board and chief executive to discuss the future leadership needs of the organization.

While a performance assessment is an opportunity to discuss problems, the overarching purposes of the process should be to clarify goals for the chief executive and the organization, to foster the growth of the chief executive, and to provide constructive feedback.

- Does the board have a constructive process for reviewing the chief executive's performance, salary, and benefits on a regular basis?

## 5. DEVELOP A PRODUCTIVE PROCESS FOR BOARD SELF-ASSESSMENT.

The prospect of selecting a new chief executive illuminates the quality of the board's effectiveness and its performance. A good board periodically asks itself if it is doing the right work in the right way. A hallmark of effective succession planning is a regular, periodic process for reviewing and strengthening the board's effectiveness.

- Do board members understand their roles and responsibilities?
- Does the board have a clear understanding of the financial condition of the organization?
- Do board members support the current mission statement?

### BoardSource Recommended Governance Practice: Chief executive evaluation

A formal annual evaluation, based on well-defined and mutually agreed upon expectations, benefits and protects both the chief executive and the board. The evaluation should be written and involve the full board. Even if the board chair or a committee leads the evaluation, the full board must participate by being given the opportunity to provide feedback, approve the final evaluation, and ensure all compensation recommendations are appropriate.

### Elements of a Succession Plan

- 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

Resources: [\*The Handbook of Nonprofit Governance, Chief Executive Succession Planning\*](#)